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REPORT
CITY OF HAMMOND,
LOUISIANA

JUNE 30, 2005

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Release Date 1/25/06

CITY OF HAMMOND, LOUISIANA

JUNE 30, 2005

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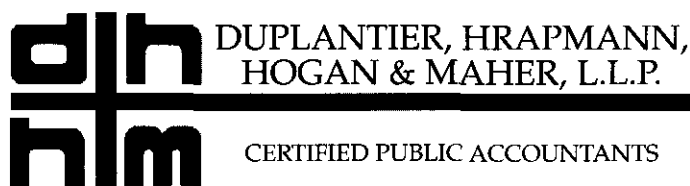
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MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 • New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhmcpa.com

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.s

INDEPENDENT AUDITOR'S REPORT

November 4, 2005

To the Honorable Mayson Foster, Mayor
Members of the City Council
City of Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise City of Hammond, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of City of Hammond, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget, Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 13, the other required supplementary information on pages 59 to 60 and other supplementary information on page 61 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2005 on our consideration of the City of Hammond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Duplantier, Hrapmann, Hogan and Maher, LLP

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets of the City of Hammond exceeded liabilities at the close of the most recent year by \$40,805,394 (net assets). Of this amount, \$12,292,909(unrestricted net assets) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's net assets increased by \$3,665,836.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,520,245, an increase of \$6,163,504 in comparison with the prior year. Approximately \$5,486,273 is available for spending at the City's discretion (unrestricted fund balance).
- At the end of the current fiscal year end, unreserved fund balance for the general fund was \$2,297,988 or 14% of total general fund expenditures.
- The City's total liabilities at the end of the current fiscal year end were \$22,749,737 in comparison to \$17,534,786 of the prior year.
- The City is currently in the construction phase of a comprehensive wastewater treatment project. The purpose of the Wetlands Assimilation Project is to construct a Lift Station, Force Main, Treatment Facility, Effluent Distribution System, and an Aerated Lagoon system to consolidate the North and South Sewer Treatment facilities. With this system, treated and disinfected wastewater will be discharged into the Joyce Wildlife Management Area. Active revenue sources for the project are:

EPA / STAG	\$ 433,700
LCDBG	\$1,000,000
CAPITAL PROJECTS FUND	\$ 738,000
CAPITAL PROJECT BOND CONSTRUCTION FUND	\$ 100,000
WATER & SEWER CONSTRUCTION	\$ 525,000
CITY BOND FUNDS (estimate)	\$3,900,000
Pending funding sources are:	
State Capital Outlay—Sewer Grant	\$ 750,000
STAG Grant	\$ 750,000

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The business-type activities of the City include one enterprise activity – a water and sewer system.

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units: The Hammond Downtown Development District, City Court of Hammond, and Marshal of City Court of Hammond. Financial information for the Hammond Downtown Development District is blended with the financial information for the City. Financial information for City Court of Hammond and Marshal of City Court of Hammond is reported separately from the financial information presented for the primary government itself. Complete financial statements of these entities, which include separate MD&A's, can be obtained directly from their respective administrative offices.

The government-wide financial statements can be found on pages 14 - 15 of this report.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues; expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a variety of funds, which are grouped for management purposes into special revenue; debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Fund used to account for activities of the Sales Tax Fund, Capital Projects Fund and Sales Tax 2005 Bond Construction Fund, all of which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 16 -- 18 of the report.

Proprietary funds. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability and worker's compensation self-insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for water and sewer systems.

Proprietary fund financial statements can be found on pages 20 - 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 58 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, net assets exceeded liabilities by \$40,805,394 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 55% reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For more detailed information refer to page 14, Statement of Net Assets.

An additional portion of the City of Hammond's net assets 15% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 30% may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

At the end of the current fiscal year, the City of Hammond is able to report positive balances in net assets in governmental activities, business-type activities and component units.

Net Assets. The following table reflects condensed information on the City's net assets:

City of Hammond, Louisiana Net Assets						
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
ASSETS:						
Current and other assets	17,001,090	10,852,306	9,030,904	8,657,725	26,031,994	19,510,031
Land	3,417,208	3,411,733	158,047	23,750	3,575,255	3,435,483
Construction in progress	1,840,013	7,593,798	1,507,634	1,153,414	3,347,647	8,747,212
Capital assets (net of accumulated depreciation)	<u>19,571,041</u>	<u>11,560,276</u>	<u>11,029,194</u>	<u>11,421,342</u>	<u>30,600,235</u>	<u>22,981,618</u>
TOTAL ASSETS	<u><u>41,829,352</u></u>	<u><u>33,418,113</u></u>	<u><u>21,725,779</u></u>	<u><u>21,256,231</u></u>	<u><u>63,555,131</u></u>	<u><u>54,674,344</u></u>
LIABILITIES:						
Other liabilities	3,180,949	3,295,645	1,794,276	1,572,687	4,975,225	4,868,332
Noncurrent liabilities	<u>15,143,852</u>	<u>9,338,210</u>	<u>2,630,660</u>	<u>3,328,247</u>	<u>17,774,512</u>	<u>12,666,457</u>
TOTAL LIABILITIES	<u><u>18,324,801</u></u>	<u><u>12,633,855</u></u>	<u><u>4,424,936</u></u>	<u><u>4,900,934</u></u>	<u><u>22,749,737</u></u>	<u><u>17,534,789</u></u>
NET ASSETS:						
Invested in capital assets, net of related debt	15,963,262	12,582,984	6,646,634	5,425,247	22,609,896	18,008,231
Restricted for:						
Debt service	1,527,228	1,261,270	406,388	413,977	1,933,616	1,675,247
Capital Projects	965,732	1,257,823	3,003,241	3,498,259	3,968,973	--
Unrestricted	<u>5,048,329</u>	<u>5,682,184</u>	<u>7,244,580</u>	<u>7,017,814</u>	<u>12,292,909</u>	<u>12,699,998</u>
TOTAL NET ASSETS	<u><u>23,504,551</u></u>	<u><u>20,784,261</u></u>	<u><u>17,300,843</u></u>	<u><u>16,355,297</u></u>	<u><u>40,805,394</u></u>	<u><u>37,139,558</u></u>

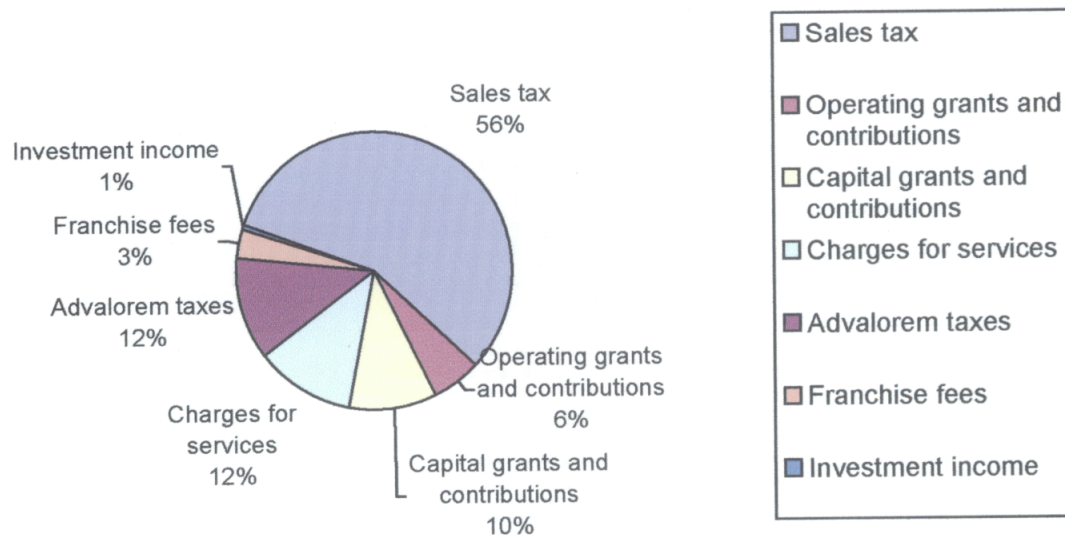
Changes in Net Assets. The City's total revenues and expenses for governmental and business-type activities are reflected in the following chart:

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005
City of Hammond, Louisiana
Changes in Net Assets

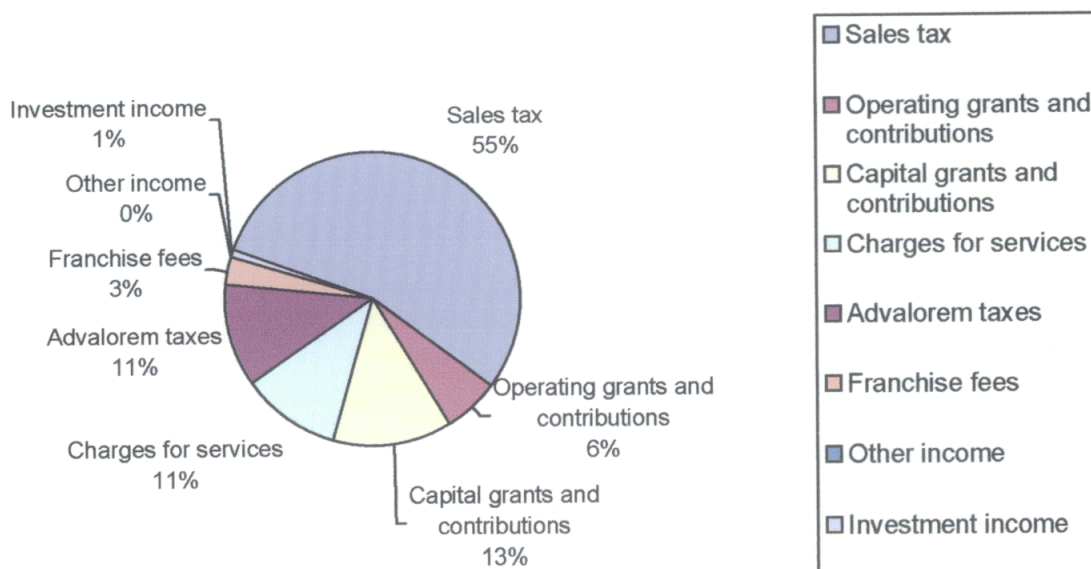
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenues:						
Charges for services	2,804,028	2,488,756	3,973,879	4,083,845	6,777,907	6,572,601
Operating grants and contributions	1,388,586	1,254,943	-	-	1,388,586	1,254,943
Capital grants and contributions	1,827,398	2,173,407	399,276	155,306	2,226,674	2,328,713
General revenues:						
Sales tax	12,350,190	11,989,071	-	-	12,350,190	11,989,071
Advalorem taxes	2,915,890	2,549,419	-	-	2,915,890	2,549,419
Franchise fees	723,905	695,830	-	-	723,905	695,830
Investment earnings	160,819	108,585	159,824	73,611	320,643	182,196
Premium on long-term debt issued	64,535	-	-	-	64,535	-
Transfers	(31,854)	(757,000)	31,854	757,000	-	-
Nonrecurring transfer out	-	(484,961)	-	-	-	(484,961)
Total revenues	<u>22,203,497</u>	<u>20,018,050</u>	<u>4,564,833</u>	<u>5,069,762</u>	<u>26,768,330</u>	<u>25,572,773</u>
Expenses:						
General government	3,477,845	3,354,266	-	-	3,477,845	3,354,266
Economic development	109,536	98,872	-	-	109,536	98,872
Urban redevelopment	89,969	6,865	-	-	89,969	6,865
Public safety - police/fire	10,204,929	9,564,640	-	-	10,204,929	9,564,640
Public works	2,829,521	2,706,357	-	-	2,829,521	2,706,357
Health and sanitation	677,657	702,119	-	-	677,657	702,119
Culture and recreation	646,826	631,875	-	-	646,826	631,875
Airport	284,502	286,696	-	-	284,502	286,696
Cemeteries and municipal grounds	768,176	792,051	-	-	768,176	792,051
Water and sewer operating expenses	-	-	3,619,287	4,522,695	3,619,287	4,522,695
Bond issuance costs	17,229	-	-	-	17,229	-
Paying agent fees on long-term debt	2,304	1,726	-	335	2,304	2,061
Interest on long-term debt	369,833	392,868	-	97,608	369,833	490,476
Loss on disposal of capital assets	4,880	219,844	-	3,117	4,880	222,961
	<u>19,483,207</u>	<u>18,758,179</u>	<u>3,619,287</u>	<u>4,623,755</u>	<u>23,102,494</u>	<u>23,381,934</u>
Increase in net assets	2,720,290	1,259,871	945,546	446,007	3,665,836	2,190,839
Net assets - Beginning of year	<u>20,784,261</u>	<u>19,524,390</u>	<u>16,355,297</u>	<u>15,909,290</u>	<u>37,139,558</u>	<u>35,433,680</u>
Net assets - End of year	<u>23,504,551</u>	<u>20,784,261</u>	<u>17,300,843</u>	<u>16,355,297</u>	<u>40,805,394</u>	<u>37,624,519</u>

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Revenues by Source – Governmental Activities
June 30, 2005



Revenues by Source – Governmental Activities
June 30, 2004



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

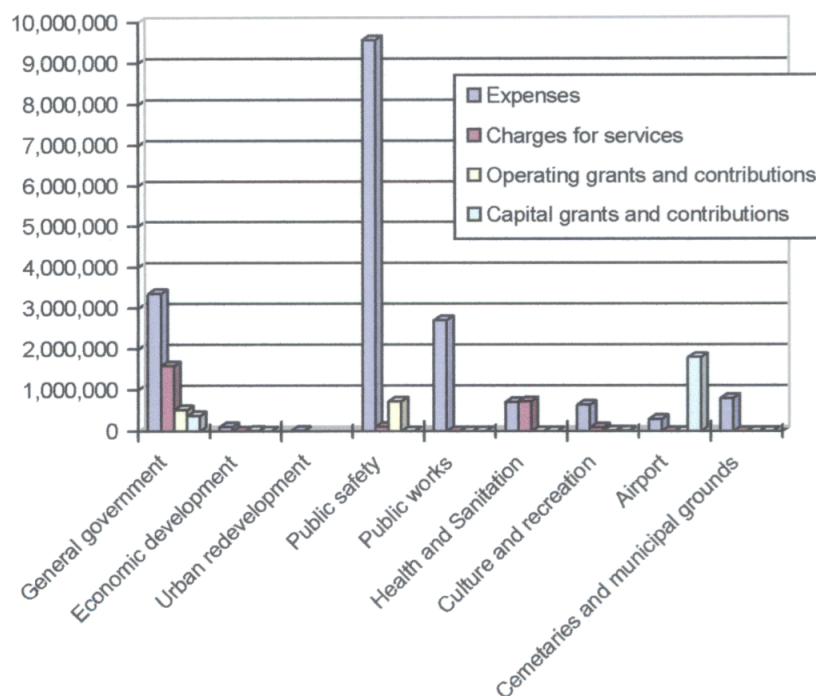
The following chart reflects the City's revenues for the years ended June 30, 2005 and June 30, 2004:

<u>Revenues</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Difference</u>
Sales Tax	12,350,190	11,989,071	361,119
Capital Grants and Contributions	1,827,398	2,173,407	(346,009)
Ad valorem Taxes	2,915,890	2,549,419	366,471
Charges for Services	2,804,028	2,488,756	315,272
Operating Grants and Contributions	1,388,586	1,254,943	133,643
Franchise Fees	723,905	695,830	28,075
Investment Income	160,819	108,585	52,234
Other income	32,681	-	32,681
Total Revenues	22,203,497	21,260,011	943,486

The cost of all governmental activities the year ended June 30, 2005 was \$19,483,097. The Statement of Activities for the year ended June 30, 2005 on page 15 shows that those who use the services financed \$2,804,028 and \$3,215,984 was financed by grants and contributions with the City's general revenues financing \$16,178,605.

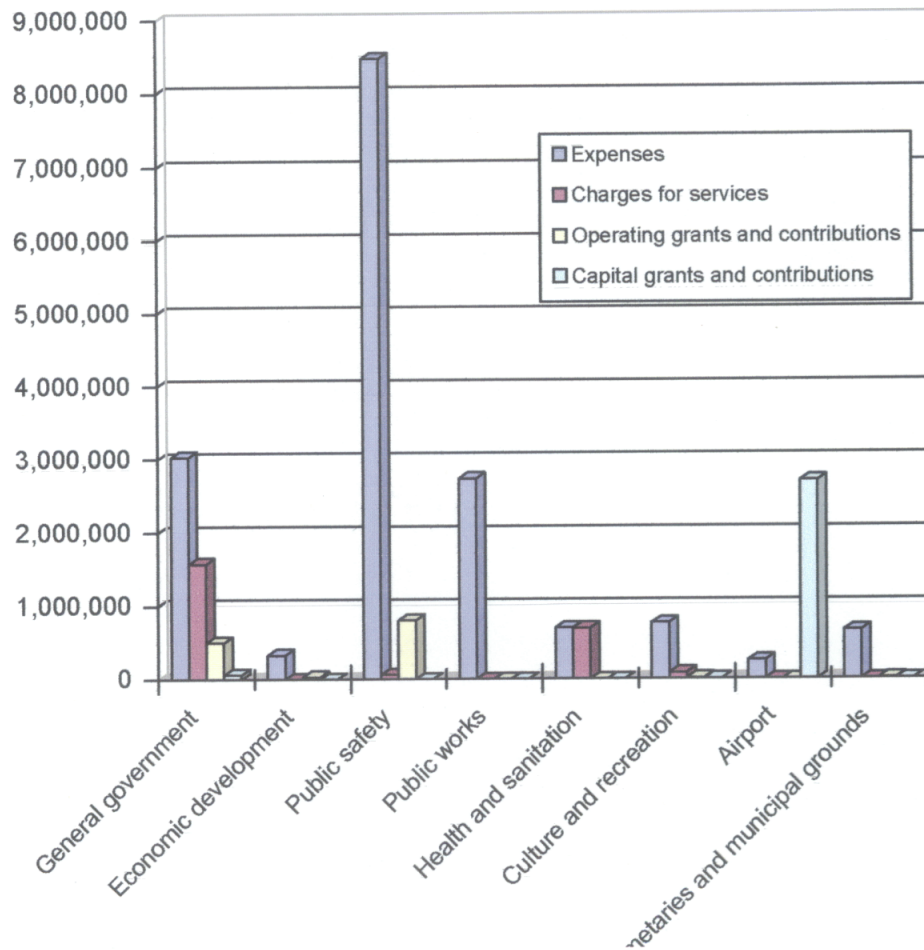
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2005



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Expenses and Program Revenue – Governmental Activities
For the Year Ended June 30, 2004



CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Business-type Activities. Business-type activities increased the City's net assets by \$945,546. The net assets for the business-type activities accounted for 42% of the City of Hammond's total net assets. Factors effecting the revenues and expenses during the current year are as follows:

- Operating income decreased by \$134,004 due to the decrease of charges for services.
- Revenues for the City's business-type activities were \$4,532,979.
- 88% of the revenues resulted from charges paid by users of water and sewer services and 12% from interest income and capital grants and contributions.
- Total cost of the water and sewer activities was \$3,619,287.
- Personnel services decreased by \$97,798.
- Contractual services, supplies, material and other decreased by \$118,363.
- Depreciation and amortization decreased by \$784,448.
- Operating revenues decreased by \$109,966 in comparison to the prior year.

Financial Analysis of the City's Funds

Governmental funds. Total revenue from funds increased by \$908,075 (4.27%) in comparison to the prior year. The increase is due to the following:

- Sales and Ad valorem tax collections increased by \$755,663. Most of the increase is attributed to retail sales.
- Federal, state and miscellaneous grants decreased by \$264,544.
- Court witness fees, and fines and forfeitures increased by \$86,619.
- Interest income increased by \$49,504.
- State supplemental pay increased by \$25,480.
- Licenses and permits increased by \$131,977.
- Other small revenues increased by \$123,406.

Total expenditures from governmental funds decreased by \$2,221,767 or 9.25% in comparison to prior year. The decreases are attributed to the following:

General Fund:

- General government expenditures increased by \$10,143.
- Public safety expenditures increased by \$140,523 due to increases in salaries, and employer contributions for retirement and group health benefits.

CITY OF HAMMOND, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

General Fund: (Continued)

- Public works increased by \$81,248. Other departmental increases and decreases amounted to a decrease of \$2,453,681 in comparison to prior year.

Special Revenue Funds:

- General government revenue increased by 974,122 in comparison to the prior year.

Capital Projects Funds:

- The City of Hammond received \$5,000,000 in proceeds from the sale of 2005 Sales Tax Bonds

Debt Service Funds:

- Debt service funds expenditures increased by \$87,756.

General Fund Budgetary Highlights

The City Council did not amend the General Fund budget for the fiscal period 2004-2005.

Economic Factors and Next Year's Budget Rates

- The unemployment rate for the City of Hammond is 7.3% which is an increase from a rate of 6.1% a year ago. This rate compares unfavorably to the national rate of 6.1% and the state rate of 6.8%.
- Due to the revitalization of the City's central business district an increase in retail operations, the City of Hammond expects an increase in sales tax revenue. Sales tax revenue has been budgeted at an increase of 7.2% over the previous year.
- Firefighter's retirement expense for the City is 18.0% a decrease from 24.0%
- Police retirement expense for the City decreased from 21.50% to 16.25%
- Municipal employees' retirement expense for the City is 15.0%
- Health care benefits for the employees did not increase in 2004-2005. The City is expecting an increase from 4% to 9%.
- Property/General liability insurance increased 5.8%.

Request for Information

Questions concerning any financial information provided or request for additional financial information should be addressed to Larry Francis, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 542-3404.

CITY OF HAMMOND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
ASSETS:					
Cash and cash equivalents	\$ 5,314,725	\$ 3,300,636	\$ 8,615,361	\$ 284,721	\$ 159,104
Investments	-	-	-	259,992	-
Receivables:					
Customers (net of allowance for doubtful accounts of \$50,000)	-	1,154,695	1,154,695	-	-
Franchise taxes receivable	161,633	-	161,633	-	-
Notes receivable	341,782	-	341,782	-	-
Other receivable	55,166	4,672	59,838	-	-
Prepaid expenses	565,831	-	565,831	-	11,569
Due from other governments	3,022,446	527,769	3,550,215	37,132	36,748
Restricted assets:					
Cash and cash equivalents	7,316,526	4,016,501	11,333,027	-	-
Bond issuance costs, net	52,219	26,631	78,850	-	-
Internal balances	170,762	-	170,762	10,842	-
Land	3,417,208	158,047	3,575,255	-	-
Construction in progress	1,840,013	1,507,634	3,347,647	-	-
Capital assets - (net of accumulated depreciation)	19,571,041	11,029,194	30,600,235	121,448	4,725
TOTAL ASSETS	41,829,352	21,725,779	63,555,131	714,135	212,146
LIABILITIES:					
Accounts payable	1,137,317	38,187	1,175,504	5,565	6,260
Payroll taxes payable	113,974	-	113,974	-	-
Salaries payable	72,941	-	72,941	14,636	34,295
Claims payable	718,587	-	718,587	-	-
Claims incurred but not reported	18,822	-	18,822	-	-
Due to other governments	-	431,847	431,847	-	-
Retainage payable	141,333	-	141,333	-	-
Internal balances	-	170,762	170,762	-	2,210
Other payable	122,319	-	122,319	-	-
Unearned grant income	46,812	-	46,812	-	-
Payable from restricted assets:					
Accounts payable	1,455	-	1,455	-	-
Retainage payable	5,197	-	5,197	-	-
Customers' deposits	-	498,480	498,480	-	-
Accrued interest payable	47,192	-	47,192	-	-
Bonds payable - current portion	755,000	655,000	1,410,000	-	-
Noncurrent liabilities:					
Bonds payable	13,110,000	2,390,000	15,500,000	-	-
Due to other governments	-	9,023	9,023	-	-
Accumulated leave payable	2,033,852	231,637	2,265,489	50,342	-
TOTAL LIABILITIES	18,324,801	4,424,936	22,749,737	70,543	42,765
NET ASSETS					
Invested in capital assets, net of related debt	15,963,262	6,646,634	22,609,896	121,448	4,725
Restricted for:					
Debt service	1,527,228	406,388	1,933,616	-	-
Capital projects	965,732	3,003,241	3,968,973	-	-
Unrestricted	5,048,329	7,244,580	12,292,909	522,144	164,656
TOTAL NET ASSETS	\$ 23,504,551	\$ 17,300,843	\$ 40,805,394	\$ 643,592	\$ 169,381

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 3,477,845	\$ 1,795,136	\$ 611,130	\$ 1,011,295	\$ (60,284)	\$ -	\$ (60,284)	
Economic development	109,536	-	6,110	-	(103,426)	-	(103,426)	
Urban redevelopment	89,969	-	-	-	(89,969)	-	(89,969)	
Public safety - police	6,328,705	139,302	743,137	-	(5,446,266)	-	(5,446,266)	
Public safety - fire	3,876,224	-	14,346	-	(3,861,878)	-	(3,861,878)	
Public works	2,829,521	-	-	-	(2,829,521)	-	(2,829,521)	
Health and sanitation	677,657	770,866	-	-	93,209	-	93,209	
Culture and recreation	646,826	98,724	13,863	-	(534,239)	-	(534,239)	
Airport	284,502	-	-	816,103	531,601	-	531,601	
Cemeteries and municipal grounds	768,176	-	-	-	(768,176)	-	(768,176)	
Bond issuance costs	17,229	-	-	-	(17,229)	-	(17,229)	
Paying agent fees on long-term debt	2,304	-	-	-	(2,304)	-	(2,304)	
Interest on long-term debt	369,833	-	-	-	(369,833)	-	(369,833)	
Total governmental activities	19,478,327	2,804,028	1,388,586	1,827,398	(13,458,315)	-	(13,458,315)	
Business-type activities:								
Water and sewer	3,619,287	3,973,879	-	399,276	-	753,868	753,868	
Total business-type activities	3,619,287	3,973,879	-	399,276	-	753,868	753,868	
Total primary government	23,097,614	6,777,907	1,388,586	2,226,674	(13,458,315)	753,868	(12,704,447)	
Component units								
City Court of Hammond	1,347,207	677,153	285,498	-	-	-	-	\$ (384,556)
Marshal of City Court of Hammond	471,629	96,629	-	-	-	-	-	(375,000)
Total component units	1,818,836	773,782	285,498	-	-	-	-	(759,556)
General revenues:								
Taxes:								
Sales taxes					12,350,190	-	12,350,190	-
Ad valorem taxes, levied for general purposes					2,339,978	-	2,339,978	-
Ad valorem taxes, levied for fire and police					575,912	-	575,912	-
Franchise fee:					723,905	-	723,905	-
Grants and contributions not restricted to specific program					-	-	-	868,396
Unrestricted investment earnings					160,819	159,824	320,643	-
Premium on long-term debt issued					64,535	-	64,535	-
Loss on disposal of capital assets					(4,880)	-	(4,880)	-
Transfers					(31,854)	31,854	-	-
Total general revenues and transfers					16,178,605	191,678	16,370,283	868,396
Change in net assets					2,720,290	945,546	3,665,836	108,840
Net assets - beginning of year					20,784,261	16,355,297	37,139,558	704,133
Net assets - end of year					\$ 23,504,551	\$ 17,300,843	\$ 40,805,394	\$ 812,973

See accompanying notes.

CITY OF HAMMOND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Sales Tax Fund	Capital Projects Fund
ASSETS:			
Cash and cash equivalents	\$ 1,196,040	\$ 84,921	\$ 425,986
Franchise taxes receivable	161,633	-	-
Notes receivable	180,000	-	-
Other receivables	55,166	-	-
Due from other funds	1,473,072	66,000	-
Due from other governments	<u>290,916</u>	<u>2,042,204</u>	<u>620,783</u>
 TOTAL ASSETS	 <u>\$ 3,356,827</u>	 <u>\$ 2,193,125</u>	 <u>\$ 1,046,769</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	581,605	29,160	428,669
Payroll taxes payable	113,974	-	-
Salaries payable	72,941	-	-
Due to other funds	-	1,292,310	-
Retainage payable	-	-	140,643
Unearned grant income	-	-	-
Other payable	<u>122,319</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>890,839</u>	<u>1,321,470</u>	<u>569,312</u>
FUND BALANCE:			
Reserved:			
Capital Projects	-	-	467,665
Long-term assets	168,000	-	-
Debt service	-	-	-
Designated:			
Capital Projects	-	-	9,792
Unreserved	2,297,988	871,655	-
Unreserved reported in nonmajor:			
Special Revenue Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>2,465,988</u>	<u>871,655</u>	<u>477,457</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 3,356,827</u>	 <u>\$ 2,193,125</u>	 <u>\$ 1,046,769</u>

See accompanying notes.

Sales Tax 2005 Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,778,861	\$ 4,923,775	\$ 11,409,583
-	-	161,633
-	161,782	341,782
-	-	55,166
-	-	1,539,072
-	68,544	3,022,447
<u>\$ 4,778,861</u>	<u>\$ 5,154,101</u>	<u>\$ 16,529,683</u>
1,455	97,663	1,138,552
-	-	113,974
-	-	72,941
-	76,000	1,368,310
-	5,887	146,530
-	46,812	46,812
-	-	122,319
<u>1,455</u>	<u>226,362</u>	<u>3,009,438</u>
-	1,997	469,662
-	130,932	298,932
-	1,574,420	1,574,420
4,777,406	903,760	5,690,958
-	-	3,169,643
-	2,316,630	2,316,630
<u>4,777,406</u>	<u>4,927,739</u>	<u>13,520,245</u>
<u>\$ 4,778,861</u>	<u>\$ 5,154,101</u>	<u>\$ 16,529,683</u>

CITY OF HAMMOND
 RECONCILIATION OF THE BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 GOVERNMENTAL FUNDS
JUNE 30, 2005

Total fund balances at June 30, 2005 - Governmental Funds	\$ 13,520,245
Amounts reported for governmental funds in the statement of net assets are different because:	
Capital assets net of accumulated depreciation at June 30, 2005	24,828,262
Governmental funds report bond issuance costs as expenditures. However, in the Statement of Net Assets, bond issuance costs are amortized over the life of the bond and are reported as amortization expense. This is the amount of unamortized bond issuance costs.	52,219
In the Statement of Net Assets, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(47,192)
Internal service funds' assets and liabilities (governmental activities)	1,049,869
Long term liabilities at June 30, 2005:	
General obligation bonds payable	(12,045,000)
Certificates of indebtedness	(1,820,000)
Accumulated leave payable	<u>(2,033,852)</u>
Net assets of governmental activities	\$ <u>23,504,551</u>

See accompanying notes.

CITY OF HAMMOND
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Sales Tax Fund	Capital Projects Fund	Sales Tax 2005 Bond Construction Fund	Other Governmental Funds
REVENUES:					
Taxes	\$ 3,490,827	\$ 12,350,190	\$ -	\$ -	\$ 148,966
Licenses and permits	1,421,822	-	-	-	-
Court witness fees	-	-	-	-	36,088
Fines and forfeitures	373,314	-	-	-	-
Sanitation service fees	770,866	-	-	-	-
Federal grants	-	-	717,755	-	1,011,287
State grants	-	-	284,122	-	77,027
Donations	-	-	9,418	-	24,254
Parks and recreation	98,724	-	-	-	75
Court awards	-	-	-	-	103,214
Interest	19,467	23,718	8,875	10,009	81,629
State supplemental pay	532,800	-	-	-	-
Miscellaneous	544,979	-	-	-	14,269
Total revenues	<u>7,252,799</u>	<u>12,373,908</u>	<u>1,020,170</u>	<u>10,009</u>	<u>1,496,809</u>
EXPENDITURES:					
General government	3,093,332	-	-	-	25,658
Economic development	-	-	-	-	109,536
Urban redevelopment	-	-	-	-	89,969
Public safety:					
Police	5,542,528	-	-	-	154,122
Fire	3,445,037	-	-	-	26,594
Highways and streets	1,484,551	-	-	-	-
Cemeteries and municipal grounds	733,980	2,690	-	-	607
Buildings	855,790	760	-	-	-
Sanitation	677,657	-	-	-	-
Parks and recreation	598,403	19,436	-	-	7,609
Airport	273,237	-	-	-	-
Capital outlay	47,266	75,754	2,209,451	-	1,067,790
Capital projects	-	-	-	-	257,800
Debt Service:					
Principal retirement	-	-	-	-	610,000
Interest and charges	-	-	-	-	355,869
Issuance costs	-	-	-	17,229	-
Paying agent fees	-	-	-	-	2,304
Total expenditures	<u>16,751,781</u>	<u>98,640</u>	<u>2,209,451</u>	<u>17,229</u>	<u>2,707,858</u>
Excess (deficiency) of revenues over expenses	<u>(9,498,982)</u>	<u>12,275,268</u>	<u>(1,189,281)</u>	<u>(7,220)</u>	<u>(1,211,049)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of debt	-	-	-	5,000,000	750,000
Premium on long-term debt issued	-	-	-	64,535	-
Operating transfers in	10,797,725	-	322,287	-	2,013,243
Operating transfers out	(973,653)	(11,696,000)	-	(279,909)	(215,547)
Proceeds from sale of capital assets	12,087	-	-	-	-
Total other financing sources (uses)	<u>9,836,159</u>	<u>(11,696,000)</u>	<u>322,287</u>	<u>4,784,626</u>	<u>2,547,696</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	337,177	579,268	(866,994)	4,777,406	1,336,647
FUND BALANCE - BEGINNING OF YEAR	<u>2,128,811</u>	<u>292,387</u>	<u>1,344,451</u>	<u>-</u>	<u>3,591,092</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,465,988</u>	<u>\$ 871,655</u>	<u>\$ 477,457</u>	<u>\$ 4,777,406</u>	<u>\$ 4,927,739</u>

See accompanying notes.

Total
Governmental
Funds

\$ 15,989,983
1,421,822
36,088
373,314
770,866
1,729,042
361,149
33,672
98,799
103,214
143,698
532,800
559,248
22,153,695

3,118,990
109,536
89,969

5,696,650
3,471,631
1,484,551
737,277
856,550
677,657
625,448
273,237
3,400,261
257,800

610,000
355,869
17,229
2,304

21,784,959

368,736

5,750,000
64,535
13,133,255
(13,165,109)
12,087
5,794,768

6,163,504

7,356,741

\$ 13,520,245

CITY OF HAMMOND
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 6,163,504

Amounts reported for governmental activities in the
 Statement of Activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the Statement of Activities the cost of those
 assets is allocated over their estimated useful lives and
 reported as depreciation expense. This is the amount by
 which capital outlays (\$3,400,261) exceeded depreciation
 (\$1,120,839) in the current period. 2,279,422

Proceeds from debt issues are other financing sources in the
 governmental funds, but a debt issue increases long-term liabilities
 in the Statement of Net Assets. (5,750,000)

The issuance of long-term debt (e.g. bonds) provides
 current financial resources to governmental funds, while the
 repayment of the principal of long-term debt consumes
 the current financial resources of governmental funds. 610,000

In the Statement of Activities, only the gain on the sale of
 fixed assets is reported, whereas in the governmental
 funds, the proceeds from the sale increase financial
 resources. Thus, the change in net assets differs from the
 change in fund balance by the book value of the assets sold. (16,967)

Internal Service Funds are used by management to charge
 the costs of certain activities, such as insurance, to
 individual funds. The net revenue (expense) of
 internal service funds is reported with governmental
 activities. 261,966

Governmental funds report bond issuance costs as expenditures.
 However, in the Statement of Net Assets, bond issuance
 costs are allocated over the life of the bond and reported
 as amortization expense. This is the amount of amortization
 expense in the current period. (3,029)

In the Statement of Activities, interest is accrued on
 outstanding bonds, whereas in governmental funds,
 an interest expenditure is reported when due. This is the amount
 of the additional accrued interest for the current year. (13,964)

Some expenses reported in the Statement of Activities,
 such as compensated absences, do not require the use of
 current financial resources and therefore are not reported
 as expenditures in governmental funds. (810,642)

Change in Net Assets of Governmental Activities \$ 2,720,290

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
ASSETS:		
Cash and cash equivalents	\$ 3,300,636	\$ 1,221,668
Receivables:		
Customers (net of allowances for doubtful accounts of \$50,000 for 2005)	1,154,695	-
Other receivables	4,672	-
Due from other governments	527,769	-
Prepaid insurance	-	565,830
Total current assets	<u>4,987,772</u>	<u>1,787,498</u>
RESTRICTED ASSETS:		
Customers' deposits:		
Cash and cash equivalents	606,872	-
Unexpended bond proceeds:		
Cash and cash equivalents	3,003,241	-
Bond Sinking Fund:		
Cash and cash equivalents	<u>406,388</u>	<u>-</u>
Total restricted assets	<u>4,016,501</u>	<u>-</u>
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	12,694,875	-
OTHER ASSETS:		
Bond issuance costs (net of accumulated amortization)	<u>26,631</u>	<u>-</u>
Total other assets	<u>26,631</u>	<u>-</u>
TOTAL ASSETS	<u>21,725,779</u>	<u>1,787,498</u>
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS):		
Accounts payable	38,187	220
Claims payable	-	718,587
Claims incurred but not reported	-	18,822
Due to other funds	170,762	-
Due to other governments	<u>431,847</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>640,796</u>	<u>737,629</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS):		
Customers' deposits	498,480	-
Bonds payable - current portion	<u>655,000</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>1,153,480</u>	<u>-</u>
LONG-TERM LIABILITIES:		
Bonds payable - long-term portion	2,390,000	-
Due to other governments	9,023	-
Accumulated leave payable	<u>231,637</u>	<u>-</u>
Total long-term liabilities	<u>2,630,660</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,424,936</u>	<u>737,629</u>
NET ASSETS:		
Invested in capital assets, net of related debt	6,646,634	-
Restricted for:		
Debt service	406,388	-
Capital projects	3,003,241	-
Unrestricted	<u>7,244,580</u>	<u>1,049,869</u>
TOTAL NET ASSETS	<u>\$ 17,300,843</u>	<u>\$ 1,049,869</u>

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - <u>Enterprise Funds</u>	Governmental Activities - Internal <u>Service Funds</u>
OPERATING REVENUES:		
Sewer charges	\$ 2,535,519	\$ -
Water sales	1,338,344	-
Tap-in and reconnect fees	43,456	-
Insurance charges	-	1,414,993
Insurance reimbursements	-	378,134
Miscellaneous	56,560	6,727
Total operating revenues	<u>3,973,879</u>	<u>1,799,854</u>
OPERATING EXPENSES:		
Insurance	-	1,555,012
Personnel services	1,344,323	-
Contractual services, supplies, materials, and other	1,248,714	-
Depreciation	929,049	-
Amortization bond issuance cost	4,802	-
Total operating expenses	<u>3,526,888</u>	<u>1,555,012</u>
Operating income (loss)	<u>446,991</u>	<u>244,842</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	159,824	17,122
Federal grant	248,475	-
State grant	150,801	-
Interest expense	(92,064)	-
Paying agent fees	(335)	-
Total non-operating revenues (expenses)	<u>466,701</u>	<u>17,122</u>
Income before operating transfers	913,692	261,964
TRANSFERS IN	44,854	-
TRANSFERS OUT	(13,000)	-
Total operating transfers	<u>31,854</u>	<u>-</u>
Change in net assets	945,546	261,964
Total net assets - beginning of year	<u>16,355,297</u>	<u>787,905</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 17,300,843</u>	<u>\$ 1,049,869</u>

See accompanying notes.

CITY OF HAMMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 3,844,370	\$ 1,414,993
Payments to suppliers	(1,309,224)	(1,669,154)
Payments to employees	(1,337,880)	-
Payments from claim settlements	-	384,861
Payments to other funds	170,762	-
Net cash provided by (used in) operating activities	<u>1,368,028</u>	<u>130,700</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on capital debt	(630,000)	-
Purchases of capital assets	(1,010,714)	-
Interest paid	(106,496)	-
Paying agent fees	(335)	-
Operating transfers out	(13,000)	-
Operating transfers in	44,584	-
Net cash provided by (used in) capital and related financing activities	<u>(1,715,961)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and dividends received	159,824	17,123
Net cash provided by (used in) investing activities	<u>159,824</u>	<u>17,123</u>
Net increase (decrease) in cash and cash equivalents	(188,109)	(113,577)
Cash and cash equivalents, July 1, 2004	<u>7,505,246</u>	<u>1,335,245</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 7,317,137</u>	<u>\$ 1,221,668</u>

(Continued)

CITY OF HAMMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ <u>446,991</u>	\$ <u>244,841</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	933,851	-
(Increase) decrease in accounts receivable	(327,041)	-
(Increase) decrease in unbilled water and sewer charges	160,227	-
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid insurance	-	(103,700)
(Increase) decrease in due from other funds	-	16,651
Increase (decrease) in accounts payable	(80,336)	(2,998)
Increase (decrease) in customer deposits	37,305	-
Increase (decrease) in due to other governments	19,827	-
Increase (decrease) in due to other funds	170,762	-
Increase (decrease) in accumulated leave	6,442	-
Increase (decrease) in claims payable	-	(262,794)
Increase (decrease) in claims incurred but not reported	<u>-</u>	<u>(22,700)</u>
Total adjustments	<u>921,037</u>	<u>(375,541)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u><u>1,368,028</u></u>	\$ <u><u>(130,700)</u></u>

See accompanying notes.

CITY OF HAMMOND
 COMPONENT UNITS
 STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	Marshal's Office City Court of <u>Hammond</u>	City Court of <u>Hammond</u>
ASSETS:		
Cash	\$ 2,105	\$ -
Cash on hand and in banks	-	255,559
Certificates of deposit	-	39,760
Internal balances	<u>2,210</u>	<u>-</u>
 TOTAL ASSETS	 <u>4,315</u>	 <u>295,319</u>
 LIABILITIES:		
Accounts payable	1,730	9,915
Internal balances	<u>-</u>	<u>10,842</u>
TOTAL LIABILITIES	<u>1,730</u>	<u>20,757</u>
 NET ASSETS:		
Held in Trust for Plaintiffs	2,585	-
Held in Trust for Benefit of Others	<u>-</u>	<u>274,562</u>
 TOTAL NET ASSETS	 <u>\$ 2,585</u>	 <u>\$ 274,562</u>

See accompanying notes.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

INTRODUCTION:

On April 15, 1977, the United States District Court for the Eastern District of Louisiana ordered and decreed that the City of Hammond (the City) shall institute the proposed Home Rule Charter dated April 11, 1977. The City operates under a Mayor-Council form of government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY:

As the municipal governing authority, the City of Hammond is considered a separate entity for reporting purposes. The financial reporting entity consists of (a) the Primary Government (City of Hammond), (b) organizations for which the Primary Government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Hammond for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are *fiscally dependent on the municipality*.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the City of Hammond has determined that the following component units are part of the reporting entity:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

<u>Component Unit</u>	<u>Year End</u>	<u>Criteria Used</u>
City Court	June 30, 2005	2
Marshal of City Court	June 30, 2005	2
Hammond Downtown Development District	June 30, 2005	1

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hammond (the primary government) and its component units.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City has one blended component unit which is reported as if it were part of or blended with the City's operations. The Hammond Downtown Development District (the District) was created to formulate and implement a redevelopment plan for the central business district of the City. The City's governing authority appoints the District's board members and approves the redevelopment plan. The District is reported as a Special Revenue Fund of the City. No separate financial statements for the District have been issued.

Discretely Presented Component Units

Component units that are legally separate from the City but are financially accountable to the City or whose relationship with the City are such that exclusion would cause the City financial statements to be misleading or incomplete are discretely presented. The Component Units column of the combined financial statements includes the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Funding for the following state constitutionally defined agencies is included in the City's general fund. These officials, however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's financial statements:

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2005.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

REPORTING ENTITY: (Continued)

Discretely Presented Component Units (Continued)

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2005.

Related Organizations

The Hammond Section 8 Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City's governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the City. This organization is not a component unit of the City's reporting entity. It is classified as a related organization. The City's accountability does not extend beyond making the appointments.

The Hammond Mortgage Finance Authority is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Tangipahoa Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The City has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency. This agency is classified as a related organization.

Complete financial statements for each of the City of Hammond's component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana; 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agency's administrative offices.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

In accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, included in the City's Annual Financial Report for the year ended June 30, 2005 are the Management Discussion and Analysis (MD&A), government-wide financial statements which include the Statement of Net Assets and the Statement of Activities and fund financial statements which include the Balance Sheet, Reconciliation of the Balance Sheet to the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

The Statement of Net Assets and the Statement of Activities include the governmental and business-type activities of the City and also the component units for which the City is financially accountable. These government-wide statements for the governmental activities begin with the governmental funds financial statements balances and adjust them to incorporate the City's capital assets, long-term debt and internal service funds. These adjustments are detailed in the financial statements in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets and the Reconciliation of the Governmental Funds Changes in Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. The Statement of Activities presents financial information in a manner that shows the income and expenses generated by each individual governmental function or unit. Taxes are reported as general revenues along with other items that cannot be properly included in program revenues.

Fund financial statements report major individual governmental funds in a separate column. Separate financial statements are provided for governmental funds, proprietary funds, and component units.

Governmental funds are used to account for the majority of government's general activities, including the collection and disbursement of earmarked monies, (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds account for assets held in a trustee or agency capacity on behalf of others. The City has no fiduciary funds except those employed by its component units.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Government-Wide Financial Statements

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interest income and intergovernmental revenues derived from providing services to entities outside the primary government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

Amounts reported as program revenues include:

1. Charges to customers or applicants for goods, services or privileges provided,
2. Operating grants and contributions and
3. Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Revenues are recognized when susceptible to accrual (i.e. when they become both measureable and available). "Measureable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers ad valorem (property) taxes revenue in the year for which they are levied. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

Those revenues susceptible to accrual are franchise taxes, licenses, fines, interest revenue and charges for services. In accordance with GASB Statement No. 22, sales taxes collected and held by merchants and the intermediary collecting governments at year end on behalf of the City are recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the City applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the City has elected not to apply pronouncements other than those issued by GASB after November 30, 1989.

The City government reports the following major governmental funds:

- * General Fund - the General Fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- * Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- * Capital Projects Fund – the Capital Projects Fund is used to account for capital improvements from proceeds derived from surplus sales tax, revenue bond proceeds and grants.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION: (Continued)

Fund Financial Statements: (Continued)

- * Sales Tax 2005 Bond Construction Fund – the Sales Tax 2005 Bond Construction Fund is used to account for the proceeds received from the issuance of a sales tax bond and the expenditures associated with various street and drainage improvement projects occurring within the City.

The City government reports the following major proprietary fund:

- * Water and Sewer Fund – the Water and Sewer Fund is used to account for the provisions of water and sewer services to residents of the City and certain residents outside of City limits. The fund also accounts for the maintenance of the water and sewer system, including capital outlay for the system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include personnel services, contractual services, supplies, materials, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The reporting focus of fiduciary funds is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not available to support City programs.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION: (Continued)

Budgets:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at council meetings to obtain taxpayer comments.
3. Prior to May 15, the budget is legally enacted through passage of an ordinance.
4. Only the City Council is authorized to transfer budgeted amounts between departments within any fund or revise the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds, except those Special Revenue Funds established to account for a particular grant. Such grant funds are budgeted over the life of the grant and not necessarily on an annual basis.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Those budgets which the City adopts are on a basis consistent with accounting principles generally accepted in the United States of America as applied to governmental units.

Budgetary data for the discretely presented component units are not presented in these financial statements.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION: (Continued)

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned by the employee. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absence liability is reported.

Substantially all employees of the City government earn from one week to four weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated up to a maximum of 280 hours. Upon termination, an employee shall be paid a value of his accrued annual leave up to 280 hours.

Employees earn 12 days a year of sick leave regardless of the length of service. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

Sales and Use Tax:

The City of Hammond has a two percent sales and use tax. The Tangipahoa Parish School Board is authorized to collect and remit this tax to the City for a stipulated fee. The City's sales tax ordinances provide that the proceeds can be used for general governmental operations of the City.

Fund Equity:

In the fund financial statements, reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Assets:

Included in restricted assets of the governmental activities in the Statement of Net Assets are: 1) the "Capital Project Fund", which is used to segregate those resources accumulated through sale of bond or state financing to be used for capital projects, and 2) the "Debt Service Fund" account, which is used to pay principal and interest on the City's general obligation bonds and certificates of indebtedness.

Included in restricted assets of the business type activities in the Statement of Net Assets are: 1) the "Customers' Deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service, 2) the "Construction Fund" account, which is used to segregate those resources accumulated through sale of bonds to be used for capital improvements and renovations, and (3) the "Debt Service Fund" account, which is used to pay the principal and interest payments on the City's revenue bonds.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2005 is \$50,000.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts

Advance To/From Other Funds

Non-current portions of long-term interfund loans on receivables are reported as advances.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due to or from other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables or payables or due to or from other funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 for equipment, \$100,000-\$250,000 for infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred by the City during the current fiscal year.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Life</u>
Building	25 years
Lines and mains	20-50 years
Equipment and vehicles	4-10 years

Interfund Transactions

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

USE OF ESTIMATES:

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that are used.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. AD VALOREM TAXES:

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City during the year and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed and recognized as revenue when received. The City bills and collects its own property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish.

The City is permitted by state law to levy taxes up to seven mills of assessed valuation for general operating purposes. In addition, voters renewed a ten-year millage in 1996 of two mills to be used for public improvements upkeep. The total is for general government services. No assessment was required for payment of long-term debt. On November 20, 1999, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2001, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries. For the year ended June 30, 2005, taxes of 19.04 mills were levied on property with assessed valuations totaling \$146,852,171. The total tax levied was \$2,796,065. Tax collections for the year ended June 30, 2005 were 98% of the tax levy.

The Hammond Downtown Development District (the District) is permitted by state law to levy taxes up to 15 mills on all property subject to taxation by the District for the purpose of constructing, acquiring, operating or maintaining public facilities contemplated by the redevelopment plan and for the operating expenses of the District.

3. CASH AND CASH EQUIVALENTS:

Primary Government

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

3. CASH AND CASH EQUIVALENTS: (Continued)

Primary Government (Continued)

At June 30, 2005, the City of Hammond has cash (book balances) totaling \$19,948,388, as follows:

Governmental Funds:	
Petty cash	\$ 1,100
Demand deposits	2,284
Interest bearing demand deposits	<u>11,406,199</u>
	<u>11,409,583</u>
Proprietary Funds:	
Enterprise Fund	
Interest bearing demand deposit	7,317,137
Internal Service Fund	
Interest bearing demand deposit	1,202,638
Cash with agent	<u>19,030</u>
	<u>8,518,805</u>
Total	<u>\$ 19,948,388</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2005, the City of Hammond has \$20,299,507 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$22,150,000 of pledged securities.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The City is not exposed to custodial credit risk at June 30, 2005 for deposits in the amount of \$20,299,507, since the deposits are in the name of the City. The City has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

CITY OF HAMMOND
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

3. CASH AND CASH EQUIVALENTS: (Continued)

Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposit) at June 30, 2005, are as follows:

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$284,321 in deposits (book balances) at June 30, 2005. Total cash (book balances) from fiduciary responsibilities was 255,559 at June 30, 2005. Bank balances as of June 30, 2005 was \$879,131, of which \$467,371 was insured by FDIC Insurance, \$408,854 was collateralized with investments held by pledging bank's trust department not in the City Court's name and \$2,906 was uninsured and undercollateralized.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. As of June 30, 2005, \$415,798 was exposed to custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk under the provision of GASB Statement 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

As of June 30, 2005, the City Court did not comply with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

Marshal of City Court of Hammond

At June 30, 2005, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$159,104. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$2,105 at June 30, 2005. The bank balances as of June 30, 2005 was \$182,808, of which \$178,770 was insured by FDIC Insurance and \$4,038 was collateralized by securities held by pledging bank's trust department not in the Marshall's Office's name.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of a bank failure, the entity's deposits and collateral securities that are in the possession of an outside party may not be recovered. The Marshall's Office is not exposed to custodial credit risk at June 30, 2005 for deposits in the amount of \$182,808, since the deposits are in the name of the Marshall's Office. The Marshall's Office has no formal policy regarding custodial credit risk.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

3. CASH AND CASH EQUIVALENTS: (Continued)

Custodial Credit Risk (Continued)

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Marshall's Office that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS:

Primary Government:

The primary government had no long-term investments as of June 30, 2005. All monies are invested in short term cash equivalents.

Discretely Presented Component Units

Certificates of deposit with a maturity of 90 days or more are classified on the government-wide financial statements, fund financial statements and statement of fiduciary net assets as "Investments".

The City Court of Hammond reported on the government-wide financial statements unrestricted investments (book balance) of \$259,992 at June 30, 2005. Total unrestricted investments (book balance) from fiduciary responsibilities were \$39,760. See Footnote 3 for additional disclosure of investments.

5. RECEIVABLES:

Receivables as of June 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Proprietary Fund</u>			
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Enterprise</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
Receivables:							
Taxes:							
Ad Valorem	\$ 124,583	\$ --	\$ 124,583	\$ --	\$ 124,583	\$ --	\$ 124,583
Franchise	161,633	--	161,633	--	161,633	--	161,633
Notes	180,000	161,782	341,782	--	341,782	--	341,782
Accounts	--	--	--	1,154,695	1,154,695	--	1,154,695
Other	<u>55,166</u>	<u>--</u>	<u>55,166</u>	<u>4,672</u>	<u>59,838</u>	<u>--</u>	<u>59,838</u>
Gross Receivables	521,382	161,782	683,164	1,159,367	1,842,531	--	1,842,531
Less: Allowance for							
Uncollectibles	<u>(124,583)</u>	<u>--</u>	<u>(124,583)</u>	<u>(50,000)</u>	<u>(174,583)</u>	<u>--</u>	<u>(174,583)</u>
Net Receivables	<u>\$ 396,799</u>	<u>\$ 161,782</u>	<u>\$ 558,581</u>	<u>\$ 1,109,367</u>	<u>\$ 1,667,948</u>	<u>\$ --</u>	<u>\$ 1,667,948</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

6. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS IN, TRANSFERS OUT:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Funds:</u>		
General Fund	\$ 1,473,072	\$ --
Sales Tax Fund	66,000	1,292,310
Other Governmental Funds	--	76,000
Total Governmental Funds	<u>1,539,072</u>	<u>1,368,310</u>
<u>Proprietary Fund:</u>		
Enterprise Fund	--	170,762
Total Proprietary Fund	--	170,762
Total Primary Government	<u>\$ 1,539,072</u>	<u>\$ 1,539,072</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$10,797,725	\$ 973,653
Sales Tax Fund	--	11,696,000
Sales Tax 2005 Bond Construction Fund	--	279,909
Capital Projects Fund	322,287	--
Other Governmental Funds	<u>2,013,243</u>	<u>215,547</u>
Total Governmental Funds	<u>13,133,255</u>	<u>13,165,109</u>
<u>Proprietary Fund:</u>		
Enterprise Fund	44,854	13,000
Total Proprietary Fund	44,854	13,000
Total Primary Government	<u>\$ 13,178,109</u>	<u>\$ 13,178,109</u>

7. DUE FROM OTHER GOVERNMENTS:

	<u>Governmental Funds</u>				<u>Proprietary Fund</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
	<u>General</u>	<u>Sales Tax</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Enterprise Fund</u>			
State of Louisiana:								
Beer tax	\$ 14,953	\$ --	\$ --	\$ --	\$ --	\$ 14,953	\$ --	\$ 14,953
Law Enforcement Grant	--	--	--	16,608	--	16,608	--	16,608
State Grants	--	--	82,482	2,427	150,801	235,710	27,132	262,842
Tangipahoa Parish Council								
Fire Insurance tax	56,138	--	--	--	--	56,138	--	56,138
Reimbursement of Courtroom Security	--	--	--	--	--	--	1,000	1,000
Tangipahoa Parish Supplemental Pay	--	--	--	--	--	--	10,000	10,000
Tangipahoa Parish Rural Fire District #2								
Fire Prevention and Protection Allocation	185,000	--	--	--	--	185,000	--	185,000
Tangipahoa Parish School Board - sales tax	--	2,042,204	--	--	--	2,042,204	--	2,042,204
City Court of Hammond	34,825	--	--	--	--	34,825	27,583	62,408
Federal Grants	--	--	538,301	49,509	376,968	964,778	--	964,778
City of Hammond	--	--	--	--	--	--	8,165	8,165
Total due from other governments	<u>\$ 290,916</u>	<u>\$ 2,042,204</u>	<u>\$ 620,783</u>	<u>\$ 68,544</u>	<u>\$ 527,769</u>	<u>\$ 3,550,216</u>	<u>\$ 73,880</u>	<u>\$ 3,624,096</u>

CITY OF HAMMOND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

8. CAPITAL ASSETS:

Governmental Funds

The following is a summary of governmental fund-type capital assets at June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Transfers	Completed Construction	Balance June 30, 2005
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 3,411,733	\$ 5,475	\$ --	\$ --	\$ --	\$ 3,417,208
Construction in progress	<u>7,593,798</u>	<u>1,715,780</u>	<u>--</u>	<u>--</u>	<u>(7,469,565)</u>	<u>1,840,013</u>
Total capital assets not being depreciated	<u>11,005,531</u>	<u>1,721,255</u>	<u>--</u>	<u>--</u>	<u>(7,469,565)</u>	<u>5,257,221</u>
Capital assets being depreciated:						
Building	6,176,094	18,133	--	--	--	6,194,227
Vehicles	5,770,576	282,113	(330,355)	--	--	5,722,334
Equipment	2,531,637	426,673	(49,160)	(13,157)	--	2,895,993
Infrastructure	<u>3,990,319</u>	<u>952,886</u>	<u>--</u>	<u>--</u>	<u>7,469,565</u>	<u>12,412,770</u>
Total capital assets being depreciated	18,468,626	1,679,805	(379,515)	(13,157)	7,469,565	27,225,324
Less: accumulated depreciation	<u>(6,908,350)</u>	<u>(1,120,839)</u>	<u>361,749</u>	<u>13,157</u>	<u>--</u>	<u>(7,654,283)</u>
Total capital assets being depreciated, net	<u>11,560,276</u>	<u>558,966</u>	<u>(17,766)</u>	<u>--</u>	<u>7,469,565</u>	<u>19,571,041</u>
Governmental activities capital assets, net	<u>\$ 22,565,807</u>	<u>\$ 2,280,221</u>	<u>\$ (17,766)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 24,828,262</u>

Depreciation expense was charged to functions as follows:

General government	\$ 389,381
Public safety:	
Police	283,200
Fire	153,188
Culture and recreation	48,940
Building	21,162
Grounds	27,332
Airport	26,805
Streets	<u>170,831</u>

Total governmental activities depreciation expense \$ 1,120,839

Infrastructure completed prior to July 1, 2002 is not reflected in these financial statements under GASB 34. The City has one year to report infrastructure that was completed prior to July 1, 2002.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

8. CAPITAL ASSETS: (Continued)Governmental Funds (Continued)

The following is a summary of capital assets of the Component Units at June 30, 2005:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Balance</u> <u>June 30, 2005</u>
City Court of Hammond	\$ 565,160	\$ 21,644	\$ --	\$ 465,356	\$ 121,448
Marshal of City Court of Hammond	<u>106,740</u>	<u>--</u>	<u>--</u>	<u>102,015</u>	<u>4,725</u>
Total Component Units	<u>\$ 671,900</u>	<u>\$ 21,644</u>	<u>\$ --</u>	<u>\$ 567,371</u>	<u>\$ 126,173</u>

Proprietary Fund:

The following is a summary of proprietary fund-type capital assets at June 30, 2005:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Completed</u> <u>Construction</u>	<u>Balance</u> <u>June 30, 2005</u>
<u>Business-type activities:</u>						
Capital assets not being depreciated:						
Land	\$ 23,750	\$134,297	\$ --	\$ --	\$ --	\$158,047
Construction in Progress	<u>1,153,414</u>	<u>804,543</u>	<u>--</u>	<u>--</u>	<u>(450,323)</u>	<u>1,507,634</u>
Total capital assets not being depreciated	<u>1,177,164</u>	<u>938,840</u>	<u>--</u>	<u>--</u>	<u>(450,323)</u>	<u>1,665,681</u>
Capital assets being depreciated:						
Water:						
Buildings	52,153	2,257	--	--	--	54,410
Equipment	290,516	52,310	(3,643)	13,157	--	352,340
Vehicles	535,638	17,307	--	--	--	552,945
Lines and Mains	5,539,068	--	--	--	95,310	5,634,378
Sewer:						
Buildings	65,003	--	--	--	--	65,003
Equipment	193,051	--	(4,722)	--	--	188,329
Vehicles	403,931	--	--	--	--	403,931
Lines and Mains	<u>16,872,529</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>355,013</u>	<u>17,227,542</u>
Total capital assets being depreciated	23,951,889	71,874	(8,356)	13,157	450,323	24,478,878
Less: accumulated depreciation	<u>(12,530,547)</u>	<u>(929,049)</u>	<u>9,912</u>	<u>--</u>	<u>--</u>	<u>(13,449,684)</u>
Total capital assets being depreciated, net	<u>11,421,342</u>	<u>(857,175)</u>	<u>1,547</u>	<u>13,157</u>	<u>450,323</u>	<u>11,029,194</u>
Business-type activities capital assets, net	<u>\$ 12,598,506</u>	<u>\$ 81,665</u>	<u>\$ 1,547</u>	<u>\$ 13,157</u>	<u>\$ --</u>	<u>\$ 12,694,875</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

8. CAPITAL ASSETS: (Continued)Proprietary Fund: (Continued)

Depreciation expense was as follows:

Business-type activities:

Water	\$ 273,248
Sewer	<u>655,801</u>
Total business-type activities depreciation expense	<u>\$ 929,049</u>

9. RESTRICTED ASSETS:

Restricted assets for the City were applicable to the following at June 30, 2005:

Governmental Activities:

Unexpended Bond Proceeds	\$ 5,687,818
Bond Sinking Fund	1,574,420
Unexpended State funding	<u>54,288</u>
Total	<u>7,316,526</u>

Business-type Activities:

Unexpended Bond Proceeds	\$ 3,003,241
Meter Deposit Accounts	606,872
Bond Sinking Fund	<u>406,388</u>
Total	<u>\$ 4,016,501</u>

10. GENERAL LONG-TERM DEBT OBLIGATIONS:

The following is a summary of general long-term debt transactions for the year ended June 30, 2005:

	<u>Outstanding</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u> <u>June 30, 2005</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Funds:					
General obligation bonds	\$ 7,500,000	\$ 5,000,000	\$ 455,000	\$ 12,045,000	\$ 475,000
Certificates of indebtedness	1,225,000	750,000	155,000	1,820,000	165,000
Accumulated leave	<u>1,223,210</u>	<u>810,642</u>	<u>--</u>	<u>2,033,852</u>	<u>--</u>
Total Governmental Funds	<u>\$ 9,948,210</u>	<u>\$ 6,560,642</u>	<u>\$ 610,000</u>	<u>\$ 15,898,852</u>	<u>\$ 640,000</u>
Proprietary Funds:					
Bonds payable	\$ 3,675,000	\$ --	\$ 630,000	\$ 3,045,000	\$ 655,000
Accumulated leave payable	225,195	6,442	--	231,637	--
Due to other governments	<u>421,043</u>	<u>19,827</u>	<u>--</u>	<u>440,870</u>	<u>431,847</u>
Total Proprietary Funds	<u>\$ 4,321,238</u>	<u>\$ 26,269</u>	<u>\$ 630,000</u>	<u>\$ 3,717,507</u>	<u>\$ 1,086,847</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS:

Governmental Funds:

The following is a summary of the bonds of the City at June 30, 2005:

General Obligation Bonds

\$3,360,000 1997 Public Improvement Refund Bonds, Series 2E, due in annual installments of principal and semiannual installments of interest through December 1, 2007; interest on \$420,000 at 4.30%, on \$440,000 at 4.35%, and on \$75,000 at 4.40%. \$ 935,000

\$6,000,000 2002 Sales Tax Bonds, Series 2002, due in annual installments of principal and semiannual installments of interest through December 1, 2022; interest on \$15,000 at 6.5%, on \$15,000 at 6.5%, on \$175,000 at 5.375%, on \$265,000 at 4%, on \$280,000 at 4%, on \$295,000 at 4%, on \$305,000 at 5.5%, on \$325,000 at 5.5%, on \$340,000 at 4%, on \$360,000 at 4%, on \$375,000 at 4.125%, on \$395,000 at 4.375%, on \$415,000 at 4.4%, on \$440,000 at 4.5%, on \$460,000 at 4.6%, on \$485,000 at 4.65%, on \$510,000 at 4.7%, and on \$535,000 at 4.75%. 5,990,000

\$310,000 2002 Public Improvement Refund Bonds, Series Sales Tax 2002, due in annual installments of principal and semiannual installments of interest through December 1, 2007; interest on the following principal payments at 3.24%: \$40,000, \$40,000 and \$40,000. 120,000

\$5,000,000 Sales Tax Bonds, Series 2005, due in annual installments of principal starting December 1, 2007, and semi-annual installments of interest starting December 1, 2005, both through December 1, 2019; interest on \$260,000 at 3%, on \$315,000 at 3.25%, on \$325,000 at 3.25%, on \$335,000 at 3.5%, on \$350,000 at 3.5%, on \$365,000 at 3.5%, on \$385,000 at 3.5%, on \$400,000 at 4%, on \$420,000 at 4%, on \$435,000 at 4%, on \$455,000 at 4.5%, on \$465,000 at 4.5%, and \$490,000 at 4.5% 5,000,000

Total General Obligation Bonds Payable \$ 12,045,000

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

A combined schedule of the outstanding Public Improvements Refunding Sales Tax Series 2E, Sales Tax Series 2002, Refunding Series Sales Tax 2002, and Sales Tax Series 2005 bonds and the interest and principal requirements by dates is as follows:

Due Date	Refunding Sales Tax Series 2E		Sales Tax Series 2002		Refunding Series Sales Tax 2002		Sales Tax Series 2005		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
December 1, 2005	\$ 420,000	\$ 20,250	\$ 15,000	\$ 135,756	\$ 40,000	\$ 1,944	\$ --	\$ 96,237	\$ 729,187
June 1, 2006	--	11,220	--	135,268	--	1,296	--	96,238	244,022
December 1, 2006	440,000	11,220	15,000	135,268	40,000	1,296	--	96,237	739,021
June 1, 2007	--	1,650	--	134,781	--	648	--	96,238	233,317
December 1, 2007	75,000	1,650	175,000	134,781	40,000	648	260,000	96,237	783,316
June 1, 2008	--	--	--	130,078	--	--	--	92,338	222,416
December 1, 2008	--	--	265,000	130,078	--	--	315,000	92,337	802,415
June 1, 2009	--	--	--	124,178	--	--	--	87,219	211,397
December 1, 2009	--	--	280,000	124,178	--	--	325,000	87,219	816,397
June 1, 2010	--	--	--	119,178	--	--	--	81,937	201,115
December 1, 2010	--	--	295,000	119,178	--	--	335,000	81,938	831,116
June 1, 2011	--	--	--	113,278	--	--	--	76,075	189,353
December 1, 2011	--	--	305,000	113,278	--	--	350,000	76,075	844,353
June 1, 2012	--	--	--	104,890	--	--	--	69,950	174,840
December 1, 2012	--	--	325,000	104,890	--	--	365,000	69,950	864,840
June 1, 2013	--	--	--	95,953	--	--	--	63,562	159,515
December 1, 2013	--	--	340,000	95,953	--	--	385,000	63,563	884,516
June 1, 2014	--	--	--	89,153	--	--	--	56,825	145,978
December 1, 2014	--	--	360,000	89,153	--	--	400,000	56,825	905,978
June 1, 2015	--	--	--	81,953	--	--	--	48,825	130,778
December 1, 2015	--	--	375,000	81,953	--	--	420,000	48,825	925,778
June 1, 2016	--	--	--	74,218	--	--	--	40,425	114,643
December 1, 2016	--	--	395,000	74,218	--	--	435,000	40,425	944,643
June 1, 2017	--	--	--	65,578	--	--	--	31,725	97,303
December 1, 2017	--	--	415,000	65,578	--	--	455,000	31,725	967,303
June 1, 2018	--	--	--	56,448	--	--	--	21,487	77,935
December 1, 2018	--	--	440,000	56,448	--	--	465,000	21,488	982,936
June 1, 2019	--	--	--	46,548	--	--	--	11,025	57,573
December 1, 2019	--	--	460,000	46,548	--	--	490,000	11,025	1,007,573
June 1, 2020	--	--	--	35,968	--	--	--	--	35,968
December 1, 2020	--	--	485,000	35,968	--	--	--	--	520,968
June 1, 2021	--	--	--	24,691	--	--	--	--	24,691
December 1, 2021	--	--	510,000	24,691	--	--	--	--	534,691
June 1, 2022	--	--	--	12,706	--	--	--	--	12,706
December 1, 2022	--	--	535,000	12,706	--	--	--	--	547,706
Total	\$ 935,000	\$ 45,990	\$ 5,990,000	\$ 3,025,490	\$ 120,000	\$ 5,832	\$ 5,000,000	\$ 1,843,975	\$ 16,966,287

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

The Refunding Sales Tax Series 2E, Sales Tax Series 2002, Refunding Series Sales Tax 2002, and Sales Tax 2005 Bond Indentures provide that all revenues of the Sales Tax Fund are pledged for purposes in the following order of priority:

- a. Reasonable and necessary expenses of collecting the tax;
- b. Payments into the Sales Tax Bond Sinking Fund for each issue of the amount required to pay maturing bonds and coupons, such payments to be made in equal monthly installments;
- c. Payments into the Sales Tax Bond Reserve Fund for each issue for a specified amount per month until the fund reaches an amount equal to the highest future annual principal and interest requirements for any succeeding calendar year;
- d. All revenues not required for the above payments shall be regarded as surplus and may be used by the City for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring future bonds.

Certificates of Indebtedness

\$1,290,000, 2003 Refunding Certificates of Indebtedness due in annual installments of principal and semi-annual installments of interest through November 1, 2010; interest on \$165,000 at 2.10%, on \$170,000 at 2.38%, on \$170,000 at 2.63%, on \$180,000 at 2.82%, on \$185,000 at 3.01%, and on \$200,000 at 3.17%.	\$ 1,070,000
\$750,000, 2005 Series Limited Tax Certificates of Indebtedness due in annual installments of principal and semi-annual installments of interest through March 1, 2011; interest on \$115,000 at 0.1%, on \$115,000 at 0.1%, on \$120,000 at 0.1%, on \$125,000 at 3%, on \$135,000 at 4.95%, and on \$140,000 at 5%.	<u>750,000</u>
Total Certificates of Indebtedness	<u>\$ 1,820,000</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds: (Continued)

Certificates of Indebtedness (Continued)

A schedule of the outstanding 2003 Certificates and the interest and principal requirements by date is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
November 1, 2005	\$ 165,000	\$14,483	\$ 179,483
May 1, 2006		12,751	12,751
November 1, 2006	170,000	12,751	182,751
May 1, 2007		10,728	10,728
November 1, 2007	170,000	10,728	180,728
May 1, 2008		8,492	8,492
November 1, 2008	180,000	8,492	188,492
May 1, 2009		5,954	5,954
November 1, 2009	185,000	5,954	190,954
May 1, 2010		3,170	3,170
November 1, 2010	<u>200,000</u>	<u>3,170</u>	<u>203,170</u>
Totals	\$ <u>1,070,000</u>	\$ <u>96,673</u>	\$ <u>1,166,673</u>

A schedule of the outstanding 2005 Certificates and the interest and principal requirements by date is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
September 1, 2005	\$ --	\$ 3,754	\$ 3,754
March 1, 2006	115,000	8,891	123,891
September 1, 2006	--	8,834	8,834
March 1, 2007	115,000	8,834	123,834
September 1, 2007	--	8,776	8,776
March 1, 2008	120,000	8,776	128,776
September 1, 2008	--	8,716	8,716
March 1, 2009	125,000	8,716	133,716
September 1, 2009	--	6,841	6,841
March 1, 2010	135,000	6,842	141,842
September 1, 2010	--	3,500	3,500
March 1, 2011	<u>140,000</u>	<u>3,500</u>	<u>143,500</u>
Totals	\$ <u>750,000</u>	\$ <u>85,980</u>	\$ <u>835,980</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Governmental Funds: (Continued)

Accumulated Leave

At June 30, 2005, employees of the City have accumulated and vested \$2,033,852 of leave benefits for all governmental funds.

Proprietary Fund Types:

Water and Sewer Revenue Bonds:

\$3,930,000 Series 2003 Water & Sewer Revenue Bonds due in annual installments of principal and semiannual installments of interest through December 1, 2010; interest on the following principal payments of 2.74%: \$655,000; \$445,000; \$460,000; \$475,000; \$495,000 and \$515,000.

\$ 3,045,000

The Series 2003 Bonds were issued to refund the outstanding Series 1993 Bonds, the Series 1998A Bonds, and the Series 1998B Bonds and, therefore, the City is not required to fund the reserve fund requirement for the bonds unless the City issues additional parity bonds in the future.

A schedule of the outstanding Series 2003 Water and Sewer Revenue Refunding Bonds and the interest and principal requirements by date is as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
December 1, 2005	\$ 655,000	\$ 41,717	\$ 696,717
June 1, 2006		32,743	32,743
December 1, 2006	445,000	32,743	477,743
June 1, 2007		26,647	26,647
December 1, 2007	460,000	26,647	486,647
June 1, 2008		20,345	20,345
December 1, 2008	475,000	20,345	495,345
June 1, 2009		13,837	13,837
December 1, 2009	495,000	13,837	508,837
June 1, 2010		7,056	7,056
December 1, 2010	<u>515,000</u>	<u>7,056</u>	<u>522,056</u>
Totals	<u>\$ 3,045,000</u>	<u>\$ 242,973</u>	<u>\$ 3,287,973</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Proprietary Fund Types: (Continued)

Water and Sewer Revenue Bonds: (Continued)

The Water and Sewer Revenue Refunding Bonds are secured by and payable solely from income and revenues to be derived by the City from the operations of the public waterworks and sewer plants distribution system of the City, after provisions have been made for the payment for the reasonable and necessary expenses of operating and maintaining the system.

Accumulated Leave

At June 30, 2005, employees of the City who work in the Water and Sewer Department have accumulated and vested \$231,637 of leave benefits for the proprietary funds.

Due to Other Governments

The City received Utility Relocation Assistance Funding from the State of Louisiana Department of Transportation and Development in order to relocate certain utility lines throughout the City. This funding is not considered a loan or a grant and no interest is charged; however, it must be repaid to the State. The total amount originally due to the State was \$490,276 of which ten percent of the remaining balance is due annually. No payment was made by the City during the year ended June 30, 2005. The balance due at June 30, 2005 is \$401,248 and is included on the Statement of Net Assets in Due to Other Governments. Future repayments to the State are scheduled as follows:

<u>Year Ending June 30,</u>	
2006	\$ 392,225
2007	<u>9,023</u>
Total	<u>\$ 401,248</u>

Also, included in due to other governments in the Statement of Net Assets is \$25,920 due to the State, \$12,640 due to Sewer District No. 1 and \$1,062 due to Water District No. 1. The total due to other governments at June 30, 2005 was \$440,870.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

10. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)

Due to Other Governments (Continued)

Following is a combined schedule of annual requirements to retire all bonds and certificates as of June 30, 2005:

Year Ending June 30,	Governmental Funds					Proprietary Funds		
	General Obligations Bonds		Certificates of Indebtedness		Totals	Revenue and Refunding Bonds		Totals
	Principal	Interest	Principal	Interest		Principal	Interest	
2006	\$ 475,000	\$ 498,209	\$ 280,000	\$ 39,879	\$ 1,293,088	\$ 655,000	\$ 74,460	\$ 729,460
2007	495,000	477,338	285,000	41,147	1,298,485	445,000	59,390	504,390
2008	550,000	455,732	290,000	36,772	1,332,504	460,000	46,992	506,992
2009	580,000	433,812	305,000	31,878	1,350,690	475,000	34,182	509,182
2010	605,000	412,512	320,000	22,807	1,360,319	495,000	20,893	515,893
2011	630,000	390,469	340,000	10,170	1,370,639	515,000	7,056	522,056
2012	655,000	364,193	--	--	1,019,193	--	--	--
2013	690,000	334,355	--	--	1,024,355	--	--	--
2014	725,000	305,494	--	--	1,030,494	--	--	--
2015	760,000	276,756	--	--	1,036,756	--	--	--
2016	795,000	245,421	--	--	1,040,421	--	--	--
2017	830,000	211,946	--	--	1,041,946	--	--	--
2018	870,000	175,238	--	--	1,045,238	--	--	--
2019	905,000	135,509	--	--	1,040,509	--	--	--
2020	950,000	93,541	--	--	1,043,541	--	--	--
2021	485,000	60,659	--	--	545,659	--	--	--
2022	510,000	37,397	--	--	547,397	--	--	--
2023	535,000	12,706	--	--	547,706	--	--	--
	<u>\$ 12,045,000</u>	<u>\$ 4,921,287</u>	<u>\$ 1,820,000</u>	<u>\$ 182,653</u>	<u>\$ 18,968,940</u>	<u>\$ 3,045,000</u>	<u>\$ 242,973</u>	<u>\$ 3,287,973</u>

11. METER DEPOSITS:

Meter deposits are paid by customers upon application for utility services and are refundable to them upon termination of service. Receipts from meter deposits are deposited in a meter deposit account and refunds of deposits on termination of service are made from the same account.

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2005, meter deposits amounted to \$498,480 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$606,872.

12. PENSION PLAN:

The City of Hammond contributes to the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana. The City's payroll for employees covered by the retirement systems for the year ended June 30, 2005 was \$8,873,056.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

12. PENSION PLAN: (Continued)

a. Municipal Employees' Retirement System

Plan Description - The City contributes to Plan A of the Municipal Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 356 of the 1954 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1731 through 11:1866, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 9.25% of their earnable compensation, and the City is required to contribute at an actuarially determined rate. The current rate is 15% of earnable compensation. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2003	\$386,598	76.60%
June 30, 2004	543,089	75.66%
June 30, 2005	589,115	95.52%

The employer contribution from the City is less than the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

b. Firefighters' Retirement System

Plan Description - The City contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Capital Station, Baton Rouge, Louisiana 70804-9095.

CITY OF HAMMOND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

12. PENSION PLAN: (Continued)

b. Firefighters' Retirement System (Continued)

Funding Policy - Plan members are required to contribute 8% of their earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is 24% of annual-covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Firefighters' Retirement System for the past two years is as follows:

<u>Fiscal Year</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>
June 30, 2003	\$394,076	52.70%
June 30, 2004	409,983	100%
June 30, 2005		

The employer contribution from the City is less than the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

The actuarial required employer contributions and the percentage contributed for the year ended June 30, 2005 is not available at this time.

c. Municipal Police Employees' Retirement System

Plan Description - The City contributes to the Municipal Police Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MPERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 189 of the 1973 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2211 through 11:2233, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, P.O. Box 94095, Capital Station, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 7.5% of their annual-covered salary and the City is required to contribute 21.50% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

12. PENSION PLAN: (Continued)

c. Municipal Police Employees' Retirement System (Continued)

The actuarial required employer contributions and the percentage contributed for the Municipal Police Employees' Retirement System for the past two years is as follows:

<u>Fiscal Year</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>
June 30, 2003	\$401,231	61.23%
June 30, 2004	560,014	73.99%
June 30, 2005	540,141	106.25%

The employer contribution from the City is less than the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:

RESERVED FUND BALANCES

Governmental Funds:

Reserve for Debt Service

The debt service accounts accumulate money from various sources for the payment of interest and principal on the bonds in the following funds:

<u>Other Governmental Funds</u>	<u>Amount</u> <u>\$1,574,420</u>
---------------------------------	-------------------------------------

Reserved for Long-Term Assets

The reserve for long-term assets represents the long-term portion of receivables from various entities in the City of Hammond in the following funds:

General Fund	\$168,000
Other Governmental Funds	<u>130,932</u>
Fund Balance Reserved	<u>\$ 298,932</u>

Reserved For Capital Projects:

The reserve for capital projects represents funds reserved for current construction projects within the City in the following funds:

Capital Projects Fund	\$ 467,665
Other Governmental Funds	<u>1,997</u>
Fund Balance Reserved	<u>\$ 469,662</u>

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

13. RESERVED/DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS:
(Continued)

DESIGNATED FUND BALANCE:

Governmental Funds:

Designated For Capital Projects:

A portion of fund balance in various capital projects funds are designated for future construction projects in the following funds:

Capital Projects Fund	\$ 9,792
Sales Tax 2005 Bond Construction Fund	4,777,406
Other Governmental Funds	<u>903,760</u>
Fund Balance Designated	<u>\$ 5,690,958</u>

RESTRICTED NET ASSETS

Governmental Activities:

Restricted for:	
Debt Service	\$ 1,527,228
Capital Projects	<u>965,732</u>
Net Assets Restricted	<u>\$ 2,492,960</u>

Business-type activities

Restricted for:	
Debt Service	\$ 406,388
Capital Projects	<u>3,003,241</u>
Net Assets Restricted	<u>\$ 3,409,629</u>

14. RISK MANAGEMENT:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$250,000 for each worker's compensation claim and \$50,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

14. RISK MANAGEMENT: (Continued)

The General Fund and Enterprise Fund participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverages are reported as quasi-external transactions. At June 30, 2005, the outstanding claims liability was \$737,408, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2005 and 2004 were:

	<u>Beginning of</u> <u>Year Liability</u>	<u>Current Year Claims</u> <u>and Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>Year End</u>
2005	\$ 1,022,903	\$ 794,094	\$ 1,079,589	\$ 737,408
2004	\$ 768,485	\$ 801,901	\$ 547,483	\$ 1,022,903

15. SUPPLEMENTAL PAY:

In addition to the compensation paid to the City of Hammond's employees, employees who are firefighters and police officers may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full time, regular employee of the City fire department who is hired after March 31, 1986 and who has passed a certified firefighters' training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the City obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire department are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees and mechanics and for those employees who have not passed a certified firefighters' training program but are hired after March 31, 1986. State supplemental pay for firefighters' must be taken into account in calculating firefighters' holiday pay and overtime pay.

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

15. SUPPLEMENTAL PAY: (Continued)

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

As of June 30, 2005, the City has recognized \$532,800 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

16. LITIGATION AND CLAIMS:

At June 30, 2005, the City is a defendant in several lawsuits seeking damages. In the opinion of the City, liabilities arising from these claims and legal actions, if any, will not be significant.

17. LEASES:

The City of Hammond entered into an operating lease agreement for the lease of land. The lease term is for five years with an option to renew for three five-year periods beginning March 2003. The monthly rent beginning March 2003 is \$1,711, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ending June 30, 2005 was \$21,341.

18. NOTES RECEIVABLE:

Governmental Funds

General Fund

The City of Hammond entered into a fifteen year promissory note with a partnership to assist in the renovation of a building. The value of the note is \$180,000 with an annual interest rate of 6.42%. The collateral received on the note is the renovated building. Annual payments are due to the City only to the extent that the partnership has "cash flow" as defined in the note. If "cash flow" is less than the amount of the annual installment, the amount of unpaid interest and principal is deferred and due and payable in 2014. The partnership has not made any payments as of June 30, 2005. The amount due over the next five years and beyond is as follows:

CITY OF HAMMOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

18. NOTES RECEIVABLE:(Continued)Governmental Funds (Continued)General Fund (Continued)

<u>June 30</u>	<u>Amount Due</u>
2006	\$ 12,000
2007	12,000
2008	12,000
2009	12,000
2010	12,000
Thereafter	<u>120,000</u>
TOTAL	<u>\$ 180,000</u>

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the city. The terms of the loans range from five to ten years with interest rates ranging from 1.5% to 4%. As the loans are paid off, the City enters into other low interest loans with businesses in the city. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years and beyond is as follows:

<u>June 30</u>	<u>Amount Due</u>
2006	\$ 30,850
2007	26,666
2008	14,511
2009	14,806
2010	15,105
Thereafter	<u>59,844</u>
TOTAL	<u>\$ 161,782</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
 SUPPLEMENTARY INFORMATION
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes	\$ 3,098,000	\$ 3,098,000	\$ 3,490,827	\$ 392,827
Licenses and permits	1,229,000	1,229,000	1,421,822	192,822
Fines and forfeitures	315,000	315,000	373,314	58,314
Sanitation service fees	703,000	703,000	770,866	67,866
Parks and recreation	97,150	97,150	98,724	1,574
Interest	10,000	10,000	19,467	9,467
State supplemental pay	532,800	532,800	532,800	-
Miscellaneous	461,500	461,500	544,979	83,479
Total revenues	<u>6,446,450</u>	<u>6,446,450</u>	<u>7,252,799</u>	<u>806,349</u>
EXPENDITURES:				
General government	3,521,580	3,367,563	3,093,332	274,231
Public safety:				
Police	5,668,862	5,676,771	5,542,528	134,243
Fire	3,352,178	3,352,574	3,445,037	(92,463)
Buildings	939,640	924,268	855,790	68,478
Highways and streets	1,521,197	1,522,517	1,484,551	37,966
Cemeteries and municipal grounds	836,867	831,290	733,980	97,310
Sanitation	710,000	710,000	677,657	32,343
Parks and recreation	677,002	681,766	598,403	83,363
Capital outlay	97,550	138,573	47,266	91,307
Airport	303,820	295,763	273,237	22,526
Total expenditures	<u>17,628,696</u>	<u>17,501,085</u>	<u>16,751,781</u>	<u>749,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(11,182,246)</u>	<u>(11,054,635)</u>	<u>(9,498,982)</u>	<u>(1,555,653)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,775,000	10,797,725	10,797,725	-
Operating transfers out	(683,060)	(848,687)	(973,653)	(124,966)
Proceeds from sale of capital assets	-	-	12,087	12,087
Total other financing sources (uses)	<u>10,091,940</u>	<u>9,949,038</u>	<u>9,836,159</u>	<u>(112,879)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(1,090,306)</u>	<u>(1,105,597)</u>	<u>337,177</u>	<u>1,442,774</u>
FUND BALANCE:				
Beginning of year	2,128,811	2,128,811	2,128,811	-
End of year	<u>\$ 1,038,505</u>	<u>\$ 1,023,214</u>	<u>\$ 2,465,988</u>	<u>\$ 1,442,774</u>

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND
SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

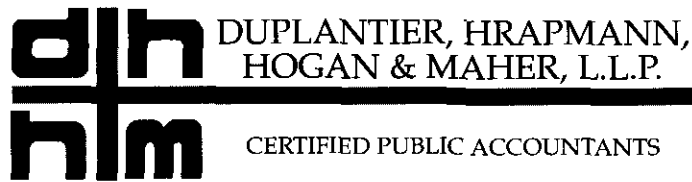
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales and use tax	\$ 11,800,000	\$ 11,800,000	\$ 12,350,190	\$ 550,190
Interest	10,000	10,000	23,718	13,718
Total revenues	<u>11,810,000</u>	<u>11,810,000</u>	<u>12,373,908</u>	<u>563,908</u>
EXPENDITURES:				
General government	-	34	-	34
Highways and streets	-	250	-	250
Cemeteries and municipal grounds	9,000	12,140	2,690	9,450
Buildings	-	5,735	760	4,975
Parks and recreation	100,000	28,287	19,436	8,851
Capital outlay	80,000	101,394	75,754	25,640
Total expenditures	<u>189,000</u>	<u>147,840</u>	<u>98,640</u>	<u>49,200</u>
Excess revenues over expenditures	<u>11,621,000</u>	<u>11,662,160</u>	<u>12,275,268</u>	<u>613,108</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer in	-	-	-	-
Operating transfer out	(11,591,000)	(11,696,000)	(11,696,000)	-
Total other financing sources (uses)	<u>(11,591,000)</u>	<u>(11,696,000)</u>	<u>(11,696,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	30,000	(33,840)	579,268	613,108
Fund balance, beginning of year	<u>292,387</u>	<u>292,387</u>	<u>292,387</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 322,387</u>	<u>\$ 258,547</u>	<u>\$ 871,655</u>	<u>\$ 613,108</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAMMOND
SUPPLEMENTARY INFORMATION
COMPENSATION PAID MAYOR AND CITY COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Mayson Foster	Mayor	\$ 75,500
Curtis Wilson	City Council – District 1	7,200
Anthony Licciardi	City Council – District 2	7,200
Willie Jackson	City Council – District 3	7,200
Kathy Montecino	City Council – District 4	7,200
Nicholas Muscarello	City Council – District 5	<u>7,200</u>
		<u>\$ 111,500</u>

The schedule of compensation paid to the Mayor and City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members shall be \$600 per month. The salary of the Mayor of the City shall be \$75,500 per annum.



MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 • New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

November 4, 2005

To the Honorable Mayson Foster, Mayor
and Members of the City Council
City of Hammond, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond, Louisiana (the City) as of and for the year ended June 30, 2005, which collectively comprise the City of Hammond's basic financial statements and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-01.

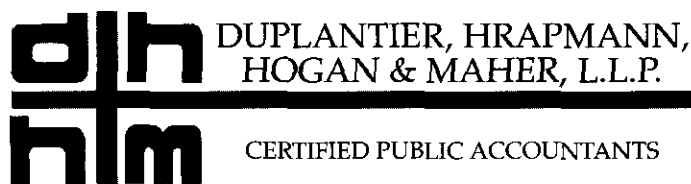
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. However, we noted other matters that we have reported to the management of City of Hammond, Louisiana in a separate letter dated November 4, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to management of City of Hammond, Louisiana, in a separate letter dated November 4, 2005.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Chapman, Hogan and Maher, LLP



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1340 Poydras St., Suite 2000 • New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

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REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A- 133

November 4, 2005

To the Honorable Mayson Foster, Mayor
and Members of the City Council
City of Hammond, Louisiana

Compliance

We have audited the compliance of the City of Hammond, Louisiana (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A- 133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Hammond, Louisiana, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-02.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A- 133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Shapmann, Hogan and Maher, LLP

CITY OF HAMMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal CFDA Number</u>	<u>Grant Number</u>		<u>Expenditure:</u>
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MAJOR FEDERAL AWARDS

Received directly from the federal government:

Department of Transportation

20.106	3-22-0018-09	Airport Improvement Program	11,603
20.106	3-22-0018-011-2003	Airport Improvement Program	114,553
20.106	3-22-0018-012-2004	Airport Improvement Program	551,941

TOTAL MAJOR PROGRAM EXPENDITURES	678,097
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NONMAJOR FEDERAL AWARDS

Received directly from the federal government:

Department of Commerce

11.300	08-01-03838	Public Works and Economic Development Facilities Program	466,997
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Department of Homeland Security

83.554	EMW-2003-FG-09161	Assistance to Firefighters Grant Program	12,618
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Department of Justice

16.592	2003-LB-BX-2604	Local Law Enforcement Block Grants Program	384
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Environmental Protection Agency

66.606	XP-97657001-0	Surveys, Studies, Investigations & Special Purpose Grants Program	248,475
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Total nonmajor federal awards received directly from the Federal Government	728,474
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CITY OF HAMMOND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

<u>Federal CFDA Number</u>	<u>Grant Number</u>		<u>Expenditures</u>
<u>Passed through the State of Louisiana:</u>			
<u>Department of Agriculture</u>			
10.664	02-DG-11083122-010	Co-Operative Forestry Assistance	<u>4,664</u>
<u>Department of Homeland Security</u>			
97.038	2004-GE-T4-004-LETPP	Law Enforcement Terrorist Prevention Program	<u>74,785</u>
<u>Department of Housing & Urban Development</u>			
14.231	CFMS # 58411	Emergency Shelter Grants Program	7,349
14.231	CFMS 598113	Emergency Shelter Grants Program	<u>18,309</u>
Total Department of Housing & Urban Development			<u>25,658</u>
<u>Department of Justice</u>			
16.579	B04-5-031	Byrne Formula Grant Program	8,972
16.579	B02-5-005	Byrne Formula Grant Program	27,097
16.523	A01-8-015	Juvenile Accountability Incentive Block Grants	8,767
16.540	J02-5-004	Juvenile Justice & Delinquency Prevention - Allocation to States	3,844
16.540	J04-5-006	Juvenile Justice & Delinquency Prevention - Allocation to States	<u>5,919</u>
Total Department of Justice			<u>54,599</u>
<u>Department of Transportation</u>			
20.600	ENH-5303 (517)	Federal Highway Administration Enhancement Project	6,300
20.605	P3 04-17-27	Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	1,149
20.600	PT 04-10-00	State and Community Highway Safety	8,253
20.600	PT 05-15-00	State and Community Highway Safety	<u>4,235</u>
Total Department of Transportation			<u>19,937</u>
Total nonmajor federal awards passed through the State of Louisiana			<u>179,643</u>
TOTAL NONMAJOR FEDERAL AWARDS EXPENDITURES			<u>908,117</u>
TOTAL FEDERAL PROGRAM EXPENDITURES			<u>1,586,214</u>

CITY OF HAMMOND
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of the City of Hammond has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2005, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

CITY OF HAMMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the City of Hammond for the year ended June 30, 2005 was unqualified.
2. The audit disclosed no instances of noncompliance, which were material to the financial statements of the City of Hammond.
3. An unqualified opinion was issued on compliance for major programs of the City of Hammond for the year ended June 30, 2005.
4. City of Hammond had one major program as follows:

U.S. Department of Transportation – Airport
Improvements Program

Expenditures

\$678,097

5. Type A programs are those programs with Federal awards expended during the current year ended June 30, 2005 exceeding \$300,000.
6. City of Hammond qualified as a low-risk auditee.
7. Finding Required To Be Reported Under Generally Accepted Government Auditing Standards:

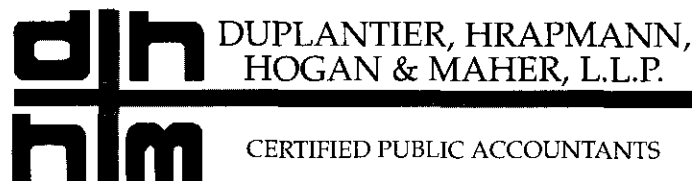
Internal Control: (05-01).

During the audit, it was discovered that the City does not have controls in place to determine delinquent accounts for water and sewer billings. As a result, delinquent customers' meters are not being disconnected in a timely manner. In addition, the City continues to bill customers for service. Not having controls in place to determine delinquent accounts results in an overstatement of income and receivables and a decrease in cash flow due to lack of collections. The City should have controls in place to determine those accounts which are delinquent in payment of their water and sewer billings and disconnect their meters. We recommend the City develop proper controls to identify and disconnect delinquent accounts.

8. Finding Required To Be Reported Under OMB Circular A-133:

Noncompliance: (05-02).

During the audit, it was noted that the City does not have a system in place to identify the funding source for fixed assets purchased when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds, because if such fixed assets are sold, the proceeds from the sale should be returned to the entity which funded the purchase, if required by the grant agreement. Not having a system in place to identify the funding source when applicable will result in the City's inability to return funds on the sale of a fixed asset. We recommend that the City develop a system which will identify those assets purchased with federal or state funding.



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November 4, 2005

Honorable Mayson Foster, Mayor
And Members of the Council
City of Hammond, Louisiana

In planning and performing our audit of the financial statements of the City of Hammond, Louisiana for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be a material weakness as defined above. However, we noted internal control matters during the course of the audit, which we felt should be presented to management.

RECEIVABLES/PAYABLES

During the audit it was noted that one contract invoice was not accrued as a payable at year end. Consequently, a grant receivable was not accrued at year end. Contract invoices should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommend that someone review the contract invoices at year end to determine proper accrual of all invoices and retainages for work performed through year end. Furthermore, we recommend that grant revenue be reviewed at year end to determine that accruals are made to match grant revenues to grant expenses.

FIXED ASSETS:

During the audit it was discovered that the City's asset depreciation system does not provide a subsidiary ledger that will document depreciation expense for all assets. The depreciation expense for the current year asset additions is not reported on any subsidiary schedule. Consequently, current year depreciation must be generated from several reports. As a result, depreciation expense could be misstated. Any differences which resulted in the misstatement of depreciation expense were adjusted during the audit. We recommend that the City modify their existing depreciation program to generate a subsidiary ledger that reports depreciation expense for all City fixed assets.

PAYABLES:

While conducting the audit on cash disbursement procedures, we noted that there were almost two hundred voided checks during a two month period. The voided checks were a result of numerous problems, including printer mishaps, entering the wrong check numbers in the system, and printing to the wrong printer. Most of these problems occurred when the City changed to a new system. This practice allows a certain loss of control over the cash disbursement process, because disbursements should be carefully reviewed and agreed to invoices before printed. We recommend that more care be exercised during the check writing process in order to decrease the number of voided checks.

While conducting cash disbursement testing, we noted that many checks were written out of sequence. Cash disbursements control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. These controls include accounting for the sequential ordering of checks as they are released for use, prior to preparation. We recommend that strict numerical control be kept over all checks issued and that checks be issued in sequence.

FEDERAL FUNDS:

During the audit it was noted that the City does not request federal funds for projects in a timely manner. In addition, on several projects the City did not request federal and state reimbursement prior to using local funds. The City should request federal and state funds in a timely manner and the City should obtain federal and state reimbursement prior to local funds. Not requesting federal or state funds on a timely basis and not requesting reimbursement from federal or state sources prior to using local sources results in a lack of cash available for general use by the City. We recommend the City request federal or state funds on a timely basis and request reimbursement from federal or state sources prior to using local funds.

RECEIVABLE:

During the audit it was discovered that the water and sewer department's aged accounts receivable subsidiary ledger does not agree with the general ledger. The aged accounts receivable ledger should agree with the general ledger. Not having the aged accounts receivable subsidiary ledger agree with the general ledger could result in misstating receivables and income. We recommend the City produce an aged accounts receivable that agrees to the general ledger.

We noted the following immaterial instances of noncompliance which we felt should be presented to management.

NOTE RECEIVABLE

During the audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However, the City is not verifying whether or not the partnership is generating a profit each year. We recommend that the City obtain financial statements from the partnership each year in order to determine if it is generating a profit or a loss.

This report is intended for the information of the Mayor and Council of the City of Hammond, its management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



Michelle H. Cunningham, CPA
Partner

MHC/ct



Mayson H. Foster
Mayor

05 DEC 29 PM 12:32

December 28, 2005

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
1600 N. Third Street
Baton Rouge, LA 70802

Dear Mr. Theriot:

This letter is submitted in response to the findings noted by our auditors Duplantier, Hrapmann, Hogan and Maher, during the City of Hammond's audit for the fiscal period July 1, 2004 through June 30, 2005.

INTERNAL CONTROL:

Water and Sewer Billings

1. During the audit it was discovered that the City does not have sufficient controls in place to determine the age of utility billing. As a result the City continues to bill customers for service to delinquent customers. Not having proper controls in place to determine delinquent accounts results in an overstatement of income and receivables and a decrease in cash flow due to lack of timely collections. The City should have controls in place to determine those accounts, which are delinquent in payment of their water and sewer billings. We recommend the City develop proper controls to identify customers with delinquent accounts so appropriate action can be taken.

Response:

The City started preparing for the conversion of a new utility billing application in November 2004. The system entitled ALPHA, functionality had diminished significantly and the change was essential. The actual conversion date was March 1, 2005. As with any conversion, several areas presented challenges to MUNIS and the city staff. Initially, the focus of the conversion was based on the billing and collection process and not the back office function. Our Data Processing Manager assured us that all the information required to operate, as we did with ALPHA, had been transferred properly. We did not receive adequate training relating to the recordation and reporting function at that time to detect and prevent the weakness stated in the findings. The City has established a committee, which will meet the sometime in second week of January 2006, to discuss all areas of concern related to the utility billing processing, recordation, and reporting functions. We anticipate that the exceptions will be resolved before June 30, 2006.

The Accounting Department has designed a special report utilizing Crystal Reports Software to detail the delinquent accounts. The Accounting Supervisor and the Utility Billing Supervisor will review the report, schedule cut-offs and verify the receivables, monthly to ensure compliance at year-end.

COMPLIANCE WITH LAWS AND REGULATIONS:

Fixed Assets

2. During the audit it was noted that the City does not have a system in place to identify the funding source for fixed assets purchased when the funding source is a federal or state grant. The City should have a means of identifying those fixed assets purchased with federal and/or state funds. If such fixed assets are sold, the proceeds from the sale should be returned to the entity, which funded the purchase, if required by the grant agreement. Not having a system in place to identify the funding source when applicable will result in the City's inability to return funds on the sale of a fixed asset. We recommend that the City develop a system, which will identify those assets purchased with federal or state funding.

Response:

We have contacted MUNIS regarding the noted deficiencies. We have identified an area within the application that will allow us to receive a report based on user identifiable codes. The specialist in charge of fixed assets accounting will enter the codes for the proper classification.

The following comments are reported in a management letter:

INTERNAL CONTROL COMMENTS:

Receivables/Payables

3. During the audit it was noted that one contract invoice was not accrued as a payable at year-end. Consequently, a grant receivable was not accrued at year-end. Contract invoices should be accrued to reflect all work performed through the end of the year. Grant receivables should be recorded to match expenses of the grant. We recommend that someone review the contract invoices at year-end to determine proper accrual of all invoices and retainages for work performed through year-end. Furthermore, we recommend that grant revenue be reviewed at year-end to determine that accruals are made to match grant revenues to grant expenses.

Response:

The Accounting Supervisor and Grants Accountant will review the status of grant receivable and payables monthly to ensure proper recordation at year-end. A copy of the review will be forwarded to the City Administrator.

Fixed Assets

4. During the audit it was discovered that the City's asset depreciation system does not provide a subsidiary ledger that will document depreciation expense for all assets. The depreciation expense for the current year asset additions is not reported on any subsidiary schedule. Consequently, current year depreciation must be generated from several reports. As a result, depreciation expense could be misstated. Any differences, which resulted in the misstatement of depreciation expense, were adjusted during the audit. We recommend that the City modify their existing depreciation program to generate a subsidiary ledger that reports depreciation expense for all City fixed assets.

Response:

We have contacted MUNIS regarding the noted deficiencies. The Accounting Department is working with the vendor to modify the application in an effort to produce the desired reports. In addition, the department will generate reports using Crystal Report Writer until the matter is resolved by MUNIS.

Payables

5. While conducting the audit on cash disbursement procedures, we noted that there were almost two hundred voided checks during a two-month period. The voided checks

were a result of numerous problems, including printer mishaps, entering the wrong check numbers in the system, and printing to the wrong printer. Most of these problems occurred when the City changed to a new system. This practice allows a certain loss of control over the cash disbursement process, because disbursements should be carefully reviewed and agreed to invoices before printed. We recommend that more care be exercised during the check writing process in order to decrease the number of voided checks.

Response:

This exception occurred when the accounts payable clerk processed regular disbursements and later realized that she selected the wrong supply of checks. The clerk immediately informed the supervisor and the checks were voided. The clerk has been coached on the importance the sequential order concerning the disbursement process. This was a human error not related to a change in the system.

6. While conducting cash disbursement testing, we noted that many checks were written out of sequence. Cash disbursements control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. These controls include accounting for the sequential ordering of checks as they are released for use, prior to preparation. We recommend that strict numerical control be kept over all checks issued and that checks be issued in sequence.

Response:

This exception occurred when the accounts payable clerk processed regular disbursements and later realized that she selected the wrong supply of checks. The clerk immediately informed the supervisor and the checks were voided. The clerk has been coached on the importance the sequential order concerning the disbursement process. This was a human error not related to a change in the system.

Federal Funds

7. During the audit it was noted that the City does not request federal funds for projects in a timely manner. In addition, on several projects the City did not request federal and state reimbursement prior to using local funds. The City should request federal and state funds on a timely manner and the City should obtain federal and state reimbursement prior to local funds. Not requesting federal or state funds on a timely basis and not requesting reimbursement from federal or state sources prior to using local sources results in a lack of cash available for general use by the City. We

recommend the City request federal or state funds on a timely basis and request reimbursement from federal or state sources prior to using local funds.

Response:

The Accounting Department was under the impression that the City's request for reimbursement had to be processed after the disbursement check cleared the fiscal agents account. The City will now make the request for reimbursement upon disbursement of the check.

Receivable

8. During the audit it was discovered that the water and sewer department's aged accounts receivable subsidiary ledger does not agree with the general ledger. The aged accounts receivable ledger should agree with the general ledger. Not having the aged accounts receivable subsidiary ledger agree with the general ledger could result in the misstating receivables and income. We recommend the City produce an aged accounts receivable that agrees to the general ledger.

Response:

The City started preparing for the conversion of a new utility billing application in November 2004. The system entitled ALPHA, functionality had diminished significantly and the change was essential. The actual conversion date was March 1, 2005. As with any conversion, several areas presented challenges to MUNIS and the city staff. Initially, the focus of the conversion was based on the billing and collection process and not the back office function. Our Data Processing Manager assured us that all the information required to operate, as we did with ALPHA, had been transferred properly. We did not receive adequate training relating to the recordation and reporting function at that time to detect and prevent the weakness stated in the findings. The City has established a committee, which will meet the sometime in second week of January 2006, to discuss all areas of concern related to the utility billing processing, recordation, and reporting functions. We anticipate that the exceptions will be resolved before June 30, 2006.

The Accounting Department has designed a special report utilizing Crystal Reports Software to detail the delinquent accounts. The Accounting Supervisor and the Utility Billing Supervisor will review the report, schedule cut-offs and verify the receivables, monthly to ensure compliance at year-end.

NONCOMPLIANCE:

Note Receivable

9. During the audit it was noted that the City had entered into a promissory note with a partnership several years ago in the amount of \$180,000, with the stipulation that the partnership pay the City only when it generates a positive "cash flow". However, the City is not verifying whether or not the partnership is generating a profit each year. We recommend that the City obtain audited financial statements from the partnership each year in order to determine if it is generating a profit or a loss.

Response:

The Accounting Department submits a request for the financial statement annually. However, the response by the partnership has been slow. We currently have the Financial Statements for the periods 2000 through 2003. A request for the statements for the period ending December 31, 2004 has been made.

Please contact me with any questions or requests for additional information you may have at (985) 542-3404 or by email at francis_l@hammond.org.

Sincerely,

A handwritten signature in cursive script, appearing to read "Francis, L", written in dark ink.

Larry Francis, Sr.
Finance Director

Cc: Mayson H. Foster, Mayor
Lanita V. Johnson, City Council Clerk
Michelle Cunningham, CPA – DHM
File